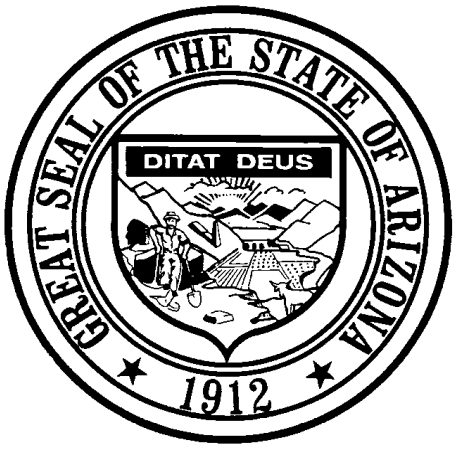
STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2002

Janet Napolitano
GOVERNOR

PREPARED BY
Arizona Department of Administration
Financial Services Division
General Accounting Office



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STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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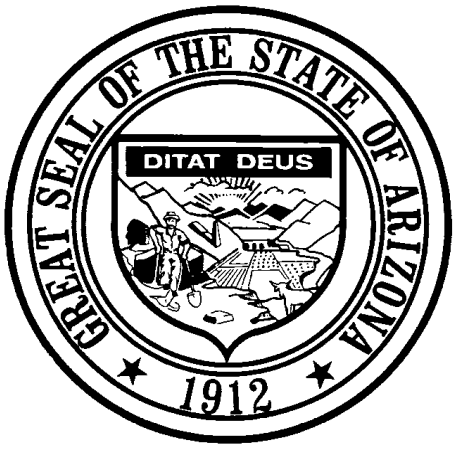
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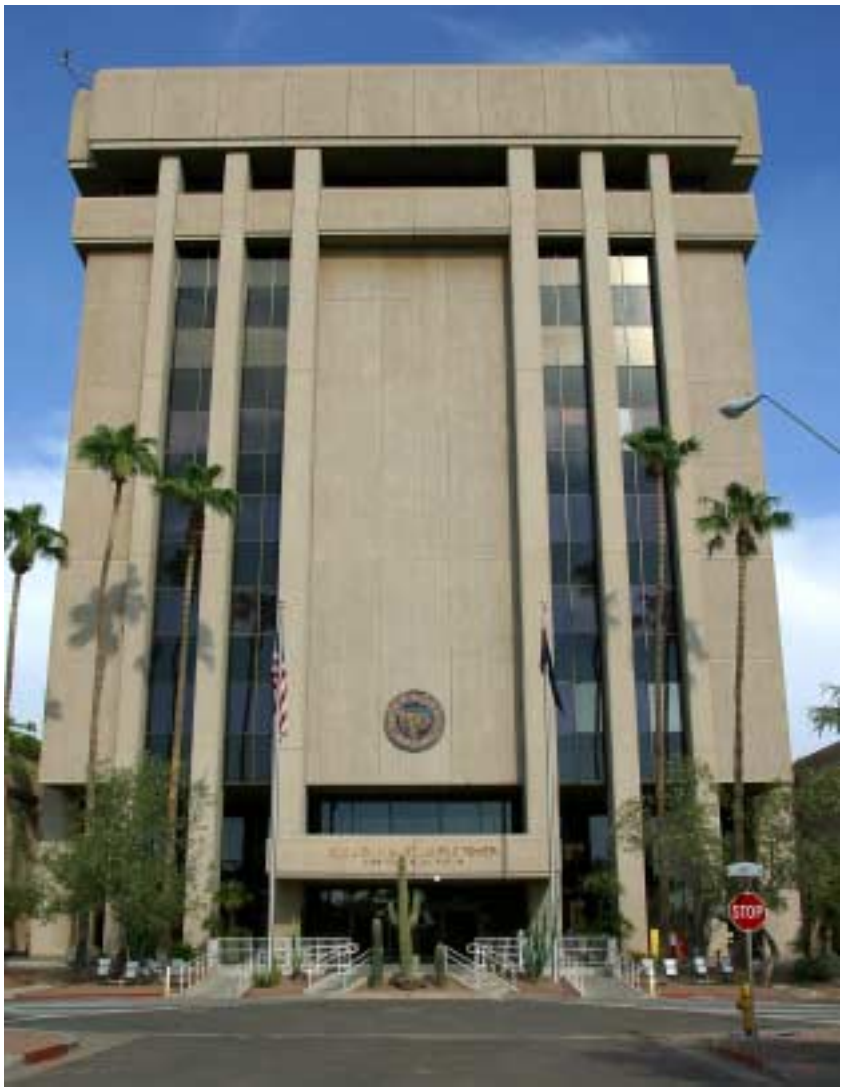
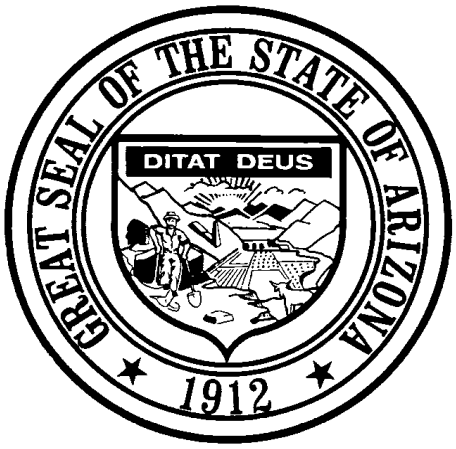


STATE CAPITAL EXECUTIVE TOWER

INTRODUCTORY SECTION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February 11, 2003

The Honorable Janet Napolitano
Governor of the State of Arizona,
Members of the Legislature, Chief Justice of
the Supreme Court and Citizens and Taxpayers
of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2002. The CAFR has been presented in conformance with the Governmental Accounting Standards Board (GASB) statements 34 and 35. The objective of this new reporting model is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund-based financial statements.

Responsibility for the accuracy of data, completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the major and non-major funds of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

The report is presented in three sections: Introductory, Financial and Statistical.

The **Introductory Section** includes this Letter of Transmittal, the State's organizational chart and a list of principal State officials.

The **Financial Section** includes the State Auditor General's independent auditors' report, Management's Discussion and Analysis (MD&A) and the basic financial statements (which include the government-wide financial statements, the fund financial statements and the notes to the financial statements). The financial section also includes Required Supplementary Information (RSI), which includes budgetary comparison schedules, infrastructure condition and maintenance data, and retirement plans funding progress. In addition, the financial section includes other supplemental financial data, which includes combining financial statements.

The **Statistical Section** includes selected financial, economic, and demographic data.

Generally accepted accounting principles require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the independent auditors' report.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds of the State of Arizona (primary government), as well as its component units. Component units are legally separate entities for which the primary government is financially accountable.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government.

The criteria for inclusion in the reporting entity and its presentation are defined by the Codification of Governmental Accounting and Financial Reporting

Standards, issued by the Governmental Accounting Standards Board, (Section 2100). Note 1.B of the Notes to the Financial Statements explains which units are included in the Financial Reporting Entity of the State.

ECONOMIC CONDITION AND OUTLOOK

The following economic summary, is excerpted from the Arizona Department of Economic Security's Arizona's Workforce, August 29, 2002.

A little more than two-and-a-half years into this bold new millennium, "irrational exuberance" has been starkly replaced by goals focused on profitability instead of promises, pressures of financial prudence and accountability, and realistic rather than speculative business models. Many bold, aggressive companies once deemed high achievers have been rendered "bottomed out" and their business models and goals discarded, respectfully, as obsolete and misguided. It seems we are humbled to realizing that the new millennium is as real as it ever was. In retrospect, it all seems all so clear, and so we go forward.

During this time of near euphoric optimism and growth, Arizona's economy charged into the new millennium with great zeal. As one of the fastest job growing states in 2000, Arizona faced such economic pressures as how to find enough workers to meet business demand. It was poignant enough to capture the attention of Lenita Jacob-Simmons, Deputy Assistant Secretary of Employment and Training with the U.S Department of Labor, who flew to Arizona to discuss some of the major issues of a fast-growing economy confronting the State. Just two years ago, for example, Phoenix-Mesa and Tucson MSAs (metropolitan statistical areas) were showing incredibly low unemployment rates of about 2.6 percent.

The most recent (July) jobless figures, however, show the Phoenix-Mesa MSA at 5.4 percent and Tucson at 4.7 percent. Additionally, Arizona's businesses slowed job growth from an annual average of nearly 4 percent in 2000 to only 1 percent in 2001. Moreover, Arizona's economy is expected to slow even further in 2002. The Arizona Department of Economic Security, Research Administration (RA) expects a loss of almost 1 percent of jobs for 2002 in its 2002-03 employment forecast update.

After 20 years of employment growth, represented by growth of more than 1,215,000 non-farm jobs, Arizona is expected to show a loss of nearly 21,000 jobs in 2002. A modest economic upturn is expected to begin building momentum in the second half of 2002 and into the following year, with jobs growing at an annual average pace of almost 2 percent in 2003. This represents a gain of almost 40,000 jobs in 2003. Thus, RA's forecast update sees Arizona's businesses adding slightly more than 19,000 jobs over the two-year period.

Generally, the major difference with this forecast update and RA's March forecast is that Arizona's economy has continued to slow in 2002, slightly more than earlier expected, and it seems clearer now that 2003 will not likely recover as fast or robustly as earlier predicted. This economic recovery job growth is one in which businesses are expected (by shareholders, investors, and responsible management) to be very deliberate, yet cautious, while working through these slower, difficult times toward profitability.

Arizona's goods-producing industries are anticipated to shed nearly 23,000 jobs over the 2002-03 period. Meanwhile, service-producing industries are projected to add slightly more than 42,000 jobs.

Recent figures for manufacturing have only hinted at the industry leveling off from the losses that began nearly two years ago. However, announcements made this week suggest additional layoffs may yet come in the near future as national and global manufacturing companies continue to grapple with costs and projections of slower demand. RA expects manufacturing jobs will decline by more than 12,000 over the two-year forecast horizon. Most of these losses are expected in 2002 as the industry pares down nearly 6 percent of its workforce. The forecast for 2003 is for some improvement, as levels simply remain flat.

Fueled with low interest rate financing and relatively vibrant demand for housing, Arizona's construction industry has endured a decade of strong growth. Between 1991 and 2001, annual average figures show that Arizona's economy added more than 87,000 construction jobs. RA's forecast calls for a slow decline of 9,500 construction jobs over the two-year period. About 80 percent of these losses are anticipated to occur in 2002.

Mining is forecast to lose 1,000 jobs, nearly an 11 percent industry decline in employment. As earlier cited, extended downward pressure on this industry is expected beyond 2003.

Arizona's trade industry is forecast to add 17,000 jobs in the 2002-03 period. Despite being a rough year for consumers who dealt with unrelenting news of corporate scandals, job losses, and terrorist threats, they kept spending. However, as the events of the year proceeded, it was becoming clearer that consumers were growing increasingly concerned. Additionally, Arizona's economy was dealt a series of economic blows as the drought sharply curtailed winter and summer activity in trade and services (of which many are tourism industries). This only worsened as fires ravaged several areas of the State, resulting in park closures and the loss of homes and businesses. And if all that wasn't bad enough, weather forecasts into this coming 2002-03 season strongly suggest another drought-stricken period awaits. In all, RA's forecast calls for an increase of slightly more than 2,000 trade jobs in 2002 and nearly 15,000 in 2003.

Services is another industry largely affected by tourism, but as well by business activity. One of the most devastated of sectors has been that of hotels and lodging. Not only was the slowing economy braking employment growth, the events that followed the September 11th terrorist attacks crippled consumer travel. As earlier mentioned, all of this was adversely compounded with the drought, fires, and park closures. This comes especially hard to an industry that, for several earlier years, invested in remodeling, expansions, and building new facilities across the State. One sector that remains strong through the forecast horizon is health services. It is one of the fastest job-growing sectors.

Services is forecast to shed 5,000 jobs in 2002 and gain slightly more than 14,000 in 2003. Thus, for the 2002-03 forecast period, better than 9,000 jobs are expected.

The transportation, communications, and public utilities group is forecast to lose more than 4,000 jobs in the two-year period. Job losses are expected in 2002, with a slight improvement of modest gains in 2003. Transportation and communication sectors are expected to face continued pressure to control costs in the wake of retracted or, at best, tepid demand. Airlines, through competitive pricing, have struggled to achieve profitability, but it hasn't come easily. Public utility jobs have been fueled by the relative strong growth in the State's population and housing development.

Arizona's finance, insurance, and real estate group is forecast to show a slight loss of nearly 1,000 jobs. A slight increase of nearly 1,500 jobs is forecast for 2003, or growth of about 1 percent. Financial sectors have been digesting the increased risks that often come with a slowing economy. As well, financial and investment sectors are grappling with controlling their own costs amidst public scrutiny and scorn. As reported by the latest figures from the American Bankruptcy Institute, bankruptcies in Arizona achieved a record level in 2001 and the trends through the second quarter of 2002 are not looking better. Real estate buying and investment has spurred mortgage financing and re-financing, but this also comes with consumers struggling to consolidate debt.

In conclusion, Arizona's economy has continued to weaken in 2002. While RA's earlier forecast showed similar trends of a loss of jobs in 2002 and a recovery in 2003, this update has reasoned a more modest economic recovery in 2003 is likely to follow the slightly increased layoffs of 2002.

MAJOR INITIATIVES

Tax Policy. Laws 2001, Chapter 2 adjusted the State's withholding rates to compensate for changes at the federal level and created an amnesty program for vehicle title registration and individual income taxes. Arizona withholding rates are tied to the federal withholding rates, which were due to change on January 1, 2002. The reduction to the federal rates would have changed the timing of Arizona collections and would have meant a one-time impact of decreasing FY 2002 revenues by approximately $60 million had the Legislature not acted.

The amnesty period established by Laws 2001, Chapter 2 ran from January 1, 2002 until March 31, 2002 for vehicle title and registration taxes and fees. During this period, no penalties or interest would be charged. The program was estimated to yield approximately $6 million in FY 2002. The law also established a tax amnesty program for any taxpayer with an outstanding individual income tax liability prior to November 1, 2000. The program eliminated penalties due on any past due tax liability; however, interest charges would still be applied. Estimates predict a gain in revenue of approximately $10 million per year for FY 2002 and FY 2003.

Laws 2002, Chapter 50 eliminates the corporate income tax subtraction for dividends received from Arizona corporations. In 1973, the Legislature enacted a corporate and individual subtraction for dividends received from corporations that do the principle portion of their business in Arizona. This law continued to exist in the individual income tax statutes until 1990 when it was repealed as part of the massive rewrite of those laws. However, it continued to exist as a subtraction in the corporate income tax statute. An estimated $22 million revenue gain will be generated.

The other tax change relates to previous Truth in Taxation provisions. Pursuant to the law, the qualifying tax rate is reduced annually to account for the statewide appreciation of existing property. The effect of reducing the qualifying tax rate is estimated to be $38.3 million in 2002 and $25.3 million in 2003.

Health and Welfare. The phase-in of Proposition 204, which expanded AHCCCS eligibility to 100% of the federal poverty level, was completed in FY 2002. The caseload growth was immediate; during FY 2002 Proposition 204 related caseloads grew 200%. Traditional Medicaid caseloads also experienced rapid growth in FY 2002, increasing 21% during the year. The Administration and AHCCCS negotiated a second waiver with the Federal government, which provides enhanced federal participation for a specific segment of the Proposition 204 population. This second waiver also requires the expansion of health care coverage to the parents of KidsCare participants. As a result of the growth of these entitlement programs, all funds from the Tobacco Settlement, Budget Neutrality Compliance Fund, and Medical Services Stabilization Fund were exhausted. This resulted in the requirement to transfer from the General Fund and other Funds to support the program.

With respect to behavioral health, numerous accomplishments were achieved during FY 2002. The State celebrated the grand opening of the juvenile and civil portions of the State Hospital, a modern archetype that reflects a homelike, neighborhood environment. Expenditures from the Serious Mental Illness fund were catalysts for significant improvements in housing and vocational and educational training. Additional Title XIX services, such as particular room and board services, which were not previously federally reimbursable, were negotiated into the new capitation rates in order to free up state-only funding for other requirements. A $19.6 million Title XIX supplemental for behavioral health generated a total of $57.6 million when combined with federal funds.

Education. *K-12 Education* – In FY 2002, K-12 education continued to comprise the largest component of the State's budget. In FY 2002, the State's obligation to fund public schools totaled $2.3 billion. In addition, $232 million was distributed through the Homeowner's Rebate program and 1% constitutional cap (known as "Additional State Aid"), which subsidizes local property taxes assessed by school districts for maintenance and operations of public schools. Aside from these entitlement programs, approximately $57 million in discretionary grants were allocated to Arizona public schools and $24 million in special education funding was provided to public institutions such as the Arizona School for the Deaf and the Blind and children housed in the Arizona State Hospital and residential placements.

In November 2000, Arizona voters approved Proposition 301 that provided much needed financial resources to Arizona elementary and secondary public schools. Through a dedicated funding source, consisting of a $6/10^{th}$ of a percent increase in the transaction privilege tax, school districts and charter schools recognized additional funding for increased school days, school safety, character education, and school accountability programs. In its first year of implementation, $439 million in FY 2002 dedicated tax revenue was collected and allocated to higher education and K-12 schools. Of this amount, $251 million, or $260 per pupil, was distributed to school districts and charter schools specifically for teacher base and performance pay increases and supplementary funding for maintenance and operations of schools. In addition to the financial windfall, AZLearns, the State's comprehensive academic accountability program, went into effect.

While the significant fiscal impacts of the *Flores v. State* lawsuit were not fully realized in FY 2002, it is important to note the legislation to remedy the lawsuit was enacted. To meet the Court's demands, the Legislature committed over $45 million in FY 2003 to support supplementary funding for non-English speaking pupils.

School Construction – As part of Proposition 301, the voters also authorized up to $800 million in revenue bonding authority to cover the estimated $1.2 billion cost of correcting school building deficiencies as required by Students FIRST legislation. Of this amount, $500 million in bonds were issued in May 2001, and in August 2002, the remaining $300 million were issued to positive investor response. Arizona law requires that all deficiencies in existing public school buildings (excluding public charter schools) be corrected prior to July 2004. As of June 2002, 35% of all deficiencies corrections projects (6,103 in total) were under construction or complete. Although in FY 2002 new school construction was still financed on a cash-basis, new legislation passed that established the lease purchase program, a new long-term financing scheme for new school construction. Approximately $400 million in lease purchase agreements were authorized for FY 2003 and FY 2004.

Finally, the State Land Department had another record year for State Trust land revenues in many areas. The Sales Section held 28 successful land sale auctions for a total of $128 million. The Department also generated a record $35 million in expendable revenue that was sent to the beneficiaries, mainly education, for their immediate use. In total, $153 million was generated by the Trust in FY 2002.

Public Safety. The mission to "protect and serve" continues to be a priority to the Executive to ensure that government has the resources necessary to provide for the safety of citizens of Arizona. With respect to the safety of our highways, the Department of Public Safety (DPS) continues to experience an increase in traffic and accidents on state highways. To handle some of the increases, the Legislature passed Laws 2001, Chapter 1 enabling DPS to hire 116 additional officers, replace 200 patrol cars and increase officer overtime pay in FY 2002 and FY 2003.

Of additional interest, DNA testing was expanded in January 2002 to include all felons convicted of offenses involving the use of a deadly weapon or the infliction of serious physical injury. Laws 2002, Chapter 226 expands the list of offenses requiring DNA testing to include all felony drug offenses in January 2003, and to include all felonies in January 2004. To support this endeavor, an additional 3% surcharge on fines and penalties was passed, along with an additional annual appropriation of $2 million from this surcharge money to provide additional personnel and equipment.

In the area of corrections, the Department of Corrections inmate population increased during FY 2002 by 2,010 to 29,273. Notwithstanding this growth, new facilities will not be available until FY 2003. Over the next three years another 4,500 beds are planned to be added to the prison system.

With respect to juvenile corrections, the number of juvenile offenders housed in secure care facilities by the Department of Juvenile Corrections decreased from an average of 936 in FY 2001 to 839 in FY 2002. Some of the decline can be attributed to a new program for parole violators that has reduced their incarceration time. The Department continues to enhance public protection by changing the delinquent thinking and behavior of juvenile offenders.

SERVICES PROVIDED BY THE STATE

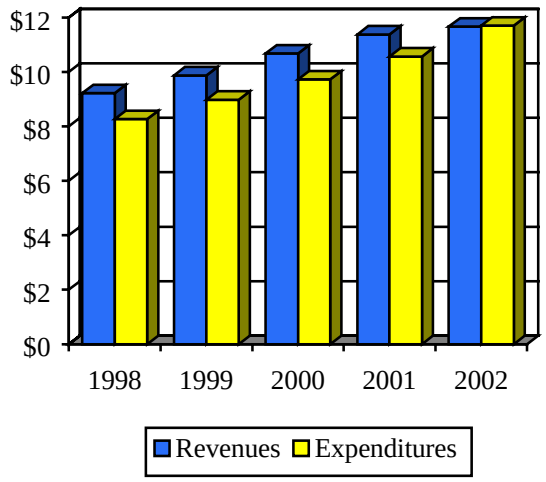
The services provided by the State are administered through various agencies, departments, boards, commissions and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation and (7) Natural Resources.

GENERAL FUND BALANCE

Graph 1 details the General Fund Revenues and Expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

Graph 1

General Fund Revenues and Expenditures
for last 5 fiscal years
(*Dollars in billions*)

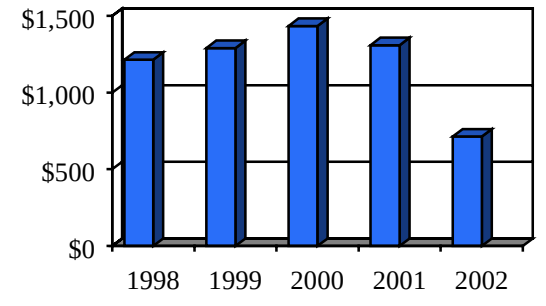


The General Fund ended the June 30, 2002, fiscal year with $560.478 million in unreserved fund balance and a $152.338 million reserved fund balance for a total fund balance of $712.816 million. This compares to the previous year total fund balance of $1.309 billion. Included in the $152.338 million reserved fund balance is $67.7 million for the Budget Stabilization Fund. The Budget Stabilization Fund is a form of "Rainy Day Fund" established by the Legislature in 1991.

Graph 2 details the General Fund Balance for the last five fiscal years:

Graph 2

General Fund Balance for last 5 fiscal years
(*Dollars in millions*)



BUDGETARY CONTROLS

Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by the Governor. The appropriated funds are controlled by the executive branch through an allotment process. This process allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay items. Capital outlay appropriations and their encumbrances continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information (RSI).

INTERNAL CONTROLS

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

CASH MANAGEMENT

The responsibility for cash management of the State is shared by the Office of the Treasurer (Treasurer) and the General Accounting Office of the Department of Administration, Financial Services Division (GAO). The Treasurer is responsible for the depository, custodial and investment functions of cash. The GAO is responsible for drawing down monies available for State functions and the expenditure or disbursement of those monies.

The State requires that Treasurer's deposits and investments with financial institutions be entirely covered by Federal depository insurance or alternatively collateralized with surety equal to 102% of the deposit or investment. Component units may have collateralization policies that differ from those of the Treasurer.

The Legislature has passed statutes authorizing State investments. Note 2.A. in the Notes to the Financial Statements describes these investments.

The Treasurer deposits receipts in accordance with applicable statutes and invests excess cash of the General Fund and various other funds. All interest, not otherwise apportioned by law, is deposited in the General Fund. Investment earnings for the General Fund totaled $61.2 million for the fiscal year ended June 30, 2002.

PROPRIETARY OPERATIONS

The State's Enterprise Funds are comprised of governmental and quasi-governmental agencies that provide goods and services to the public on a fee for service basis. One of the largest Enterprise Funds is the Lottery Fund. The Lottery Fund generated $295.6 million of operating revenues and $56.0 million of income before contributions and transfers for fiscal year 2002. The Enterprise Funds ended fiscal year 2002 with total ending net assets of $2.964 billion for the Primary Government and $867.0 million for the Component Units. This includes the State Compensation Fund's net assets of $515.0 million restricted for workers' compensation.

The State has Internal Service Funds, which provide a variety of services to State agencies. These include risk management, computer services, telecommunications, transportation services, printing services and other services. The operating revenues for the Internal Service Funds were $530.0 million for fiscal year 2002.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations and other governments, including the four State Retirement Systems. See Note 5. in the Notes to the Financial Statements for more information on the four State Retirement Systems. The fiduciary activities are not included on the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

RISK MANAGEMENT

The State purchases property and liability coverage whenever available on reasonable terms. The State is insured by an approved property insurer for claims in excess of $3.5 million but less than $345 million and liability claims in excess of $2 million for the Universities and $7 million for all other state agencies but less than $107 million. The State also maintains first dollar aircraft coverage up to $200 million. Other purchased coverages include fidelity and foreign liability. The State's self-insurance fund provides property and liability coverage for claims less than or in excess of this coverage or whenever coverage such as workers' compensation is unavailable on reasonable terms.

The State pays self-insurance losses, defense costs, premiums and administrative costs from an appropriated fund which all of the State's agencies participate in. Total costs (excluding the cost of administering the program) have risen from approximately $15.3 million in fiscal year 1988 to approximately $69.8 million in fiscal year 2002. Yearly appropriations have also increased from approximately $27.7 million in fiscal year 1988 to approximately $81.2 million in fiscal year 2002 to meet rising losses and claims-related expenses. Although there are no assurances, historically the Legislature has appropriated sufficient funds to cover all costs.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the "State Entity" is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Their report on the basic financial statements has been included in the financial section of this report. In addition, ARS §41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report at a later date.

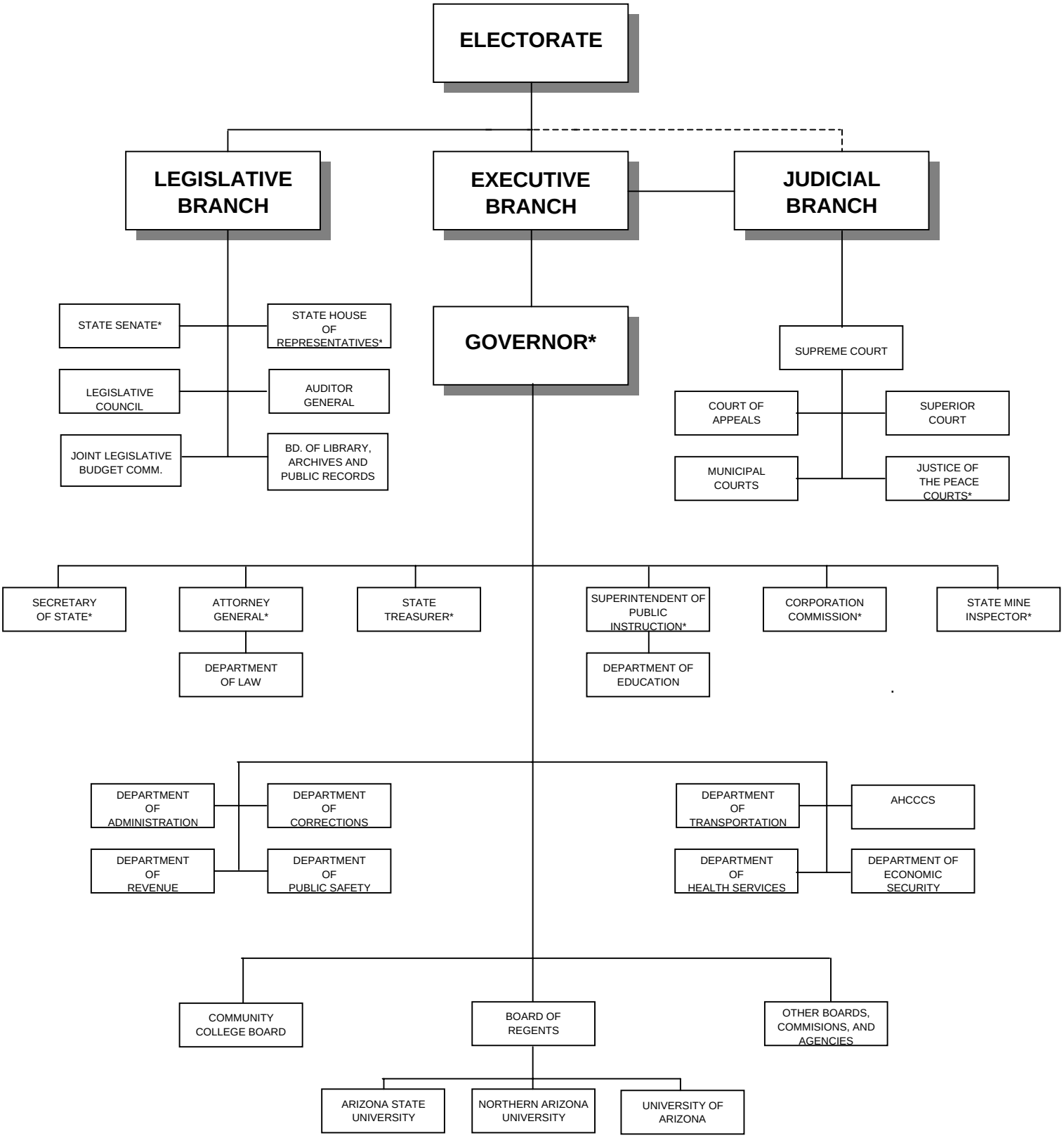
ACKNOWLEDGMENTS

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, institution of higher education and all other organizations within the reporting entity.

Betsey Bayless
Director

D. Clark Partridge
State Comptroller

ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2002

ELECTED OFFICIALS – as of June 30, 2002

Jane Dee Hull, Governor
Senator Randall Gnant, President of the Senate
Representative Jim Weiers, Speaker of the House
Charles E. Jones, Chief Justice
Betsey Bayless, Secretary of State
Janet Napolitano, Attorney General
Carol Springer, State Treasurer
Jaime A. Molera, Superintendent of Public Instruction
William A. Mundell, Chairman - Corporation Commission
Marc Spitzer, Commissioner - Corporation Commission
Jim Irvin, Commissioner - Corporation Commission
Douglas K. Martin, State Mine Inspector

APPOINTED OFFICIALS – as of June 30, 2002

Executive Officials

J. Elliott Hibbs, Director – Department of Administration
Terry L. Stewart, Director – Department of Corrections
John L. Clayton, Director – Department of Economic Security
Catherine R. Eden, Ph.D., Director – Department of Health Services
Dennis A. Garrett, Director – Department of Public Safety
Mark Killian, Director – Department of Revenue
Phyllis Biedess, Director – AHCCCS
Victor Mendez, Director – Department of Transportation

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council
Richard Stavneak, Director – Joint Legislative Budget Committee
Debra K. Davenport, CPA, Auditor General
Gladys Ann Wells, Director – Board of Library, Archives and Public Records

University Officials

Lattie F. Coor, Ph.D., President – Arizona State University
Dr. John Denis Haeger, President – Northern Arizona University
Peter Likins, President – University of Arizona

ELECTED OFFICIALS – as of January 6, 2003

Janet Napolitano, Governor
Senator Ken Bennett, President of the Senate
Representative Jake Flake, Speaker of the House
Charles E. Jones, Chief Justice
Janice K. Brewer, Secretary of State
Terry Goddard, Attorney General
Douglas K. Martin, State Mine Inspector
David Petersen, State Treasurer
Tom Horne, Superintendent of Public Instruction
Marc Spitzer, Chairman – Corporation Commission
William A. Mundell, Commissioner – Corporation Commission
Jim Irvin, Commissioner – Corporation Commission
Mike Gleason, Commissioner – Corporation Commission
Jeff Hatch-Miller, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of January 6, 2003

Executive Officials

Betsey Bayless, Director - Department of Administration
Charles Ryan, Acting Director - Department of Corrections
John L. Clayton, Director - Department of Economic Security
J. Elliot Hibbs, Director - Department of Revenue
Dennis A. Garrett, Director - Department of Public Safety
Catherine R. Eden, Ph.D., Director - Department of Health Services
Phyllis Biedess, Director - AHCCCS
Victor Mendez, Director - Department of Transportation

Legislative Officials

Michael E. Braun, Executive Director - Legislative Council
Richard Stavneak, Director - Joint Legislative Budget Committee
Debra K. Davenport, CPA, Auditor General
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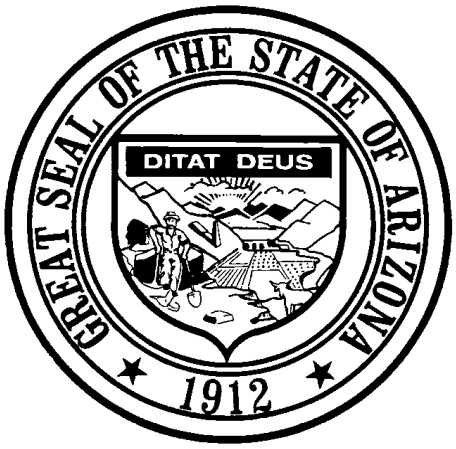
University Officials

Michael Crow, President - Arizona State University
Dr. John Denis Haeger, President - Northern Arizona University
Peter Likins, President - University of Arizona

DEPARTMENT OF ADMINISTRATION

FINANCIAL SECTION


GREAT SEAL OF THE STATE OF ARIZONA
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STATE SENATE

INDEPENDENT AUDITORS' REPORT

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

The Honorable Janet Napolitano, Governor
State of Arizona

The Honorable Ken Bennett, President
Arizona State Senate

The Honorable Franklin L. "Jake" Flake, Speaker
Arizona House of Representatives

The Honorable Charles E. Jones, Chief Justice
Arizona Supreme Court

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2002, as listed in the table of contents, which collectively comprise the State's basic financial statements. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments and the component units, which account for the following percentages of the assets and revenues of the opinion units affected.

Opinion Unit/Department	Assets	Revenues
Government-Wide Statements		
Governmental activities:		
Arizona Health Care Cost Containment System	2.27%	15.57%
Department of Transportation	68.85%	17.10%
Business-type activities:		
Lottery Department	.89%	13.79%
Arizona Health Care Cost Containment System	.18%	.99%
Department of Transportation	5.27%	.79%

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Opinion Unit/Department	Assets	Revenues
Component Units:		
Arizona Power Authority	2.21%	3.51%
State Compensation Fund	77.43%	53.84%
University Medical Center	6.24%	37.48%
Water Infrastructure Finance Authority	14.12%	5.17%
Fund Statements		
General Fund:		
Arizona Health Care Cost Containment System	11.15%	18.51%
Transportation and Aviation Fund:		
Department of Transportation	100.00%	100.00%
Lottery Fund:		
Lottery Department	100.00%	100.00%
Aggregate Remaining Fund Information:		
Arizona Health Care Cost Containment System	0.22%	3.98%
Department of Transportation	1.17%	6.69%
Arizona State Retirement System	59.71%	32.66%
Public Safety Personnel Retirement System	13.18%	12.55%
Corrections Officer Retirement Plan	2.12%	1.50%
Elected Officials' Retirement Plan	0.98%	.96%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan, included in the Fiduciary statements; and the University Medical Center, Arizona Power Authority, and State Compensation Fund, included in the Component Units statements were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2002, and the changes in financial position and cash flows, where applicable, of those activities, units, and funds for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Notes 1 and 8, the State adopted the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. *35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* for the year ended June 30, 2002, to implement a new financial reporting model.

Management's Discussion and Analysis on pages 16 through 27, the Budgetary Comparison Schedules on pages 106 through 130, the Infrastructure Assets information on pages 131 through 135, and the Schedule of Agent Retirement Plans' Funding Progress on page 136, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors, did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements of the activities, component units, and funds that collectively comprise the State's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants at a future date. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

February 11, 2003

DEPARTMENT OF REVENUE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. Because fiscal year 2001-2002 represents the first year in which the State implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 34, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-Wide:

- The assets of the State exceeded liabilities at the close of the fiscal year by $15.5 billion (reported as *net assets*). Of this amount, $700.8 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, $3.6 billion is restricted for specific purposes (*restricted net assets*), and $11.2 billion is invested in capital assets, net of related debt.
- The State's total net assets decreased in fiscal year 2002 by $257.9 million. Net assets of governmental activities decreased by $273.2 million, while net assets of the business-type activities showed an increase of $15.3 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $3.3 billion, a decrease of $1.0 billion from the beginning of the year. Approximately thirty-seven percent of the combined fund balances, $1.2 billion is available to meet the State's current and future needs (*unreserved fund balance*).
- As of the close of the fiscal year, unreserved fund balance for the General Fund was $560.5 million or five percent of total General Fund expenditures.
- The enterprise funds reported net assets at year-end of $3.0 billion, an increase of $12.8 million during the year.
- The Land Endowments Fund reported fund balance at year-end of $1.1 billion, an increase of $2.1 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.

Long-term Debt:

- The State's total long-term debt rose during the fiscal year to $4.3 billion, an increase of $1.0 billion (or 32%). The Department of Transportation issued revenue bonds for $216.3 million, School Facilities Board issued revenue bonds for $6.4 million, the University of Arizona issued revenue bonds for $93.1 million and Arizona State University issued revenue bonds for $226.4 million. The Department of Administration issued certificates of participation for $63.2 million, the University Arizona issued certificates of participation for $98.4 million and Arizona State University issued certificates of participation for $103.8 million. Compensated absences totaled $186.5 million at year-end, an increase of $22.2 million for the year.

More detailed information regarding these activities and funds begins on page 30.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

Government-Wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Assets (pages 30 and 31) presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 32 and 33) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both government-wide statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary and the general operations of the Executive departments fall within the governmental activities.

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, the State's unemployment compensation services, Industrial Commission rehabilitation services, and the State's three universities are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the State are financially accountable. The State Compensation Fund, the University Medical Center, the Arizona Power Authority, and the Water Infrastructure Finance Authority are the State's four organizations reported as discretely presented component units. See Note 1 for more information on discretely presented component units.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on **page 34** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 140** begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – each category uses different accounting approaches.

- *Governmental funds* – Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the

government's near-term financing decisions. This report includes two schedules **(pages 35, 38 and 39)** that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) of the appropriate government-wide statement.

Governmental fund financial statements can be found on pages 34 and 36 of this report.

- *Proprietary funds* – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – such as the State Lottery Fund and Universities. Internal service funds report activities that provide supplies and services for the State's other programs and activities – such as the State's Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statement business-type activities and the proprietary fund financial statements is presented **on pages 42-43.**

Proprietary fund financial statements can be found on pages 40-49 of this report.

- *Fiduciary funds* – The State acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on **page 50.** These funds, which include pension, investment trust and agency funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 50-51 of this report.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found beginning on page 56 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules, reconciling schedules of statutory and generally accepted accounting principles (GAAP) expenditures for the fiscal year. This section also includes schedules of condition and maintenance data regarding certain portions of the State's infrastructure**.**

Required supplementary information begins on page 106 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, and all fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements. Budgetary expenditure comparison schedules for the non-major governmental funds are also included.

Other supplementary information begins on page 140 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operation for the past year for the primary government are summarized as follows based on the information included in the government-wide financial statements.

State of Arizona-Primary Government
Assets, Liabilities and Net Assets as of June 30, 2002
(expressed in thousands)

	Governmental Activities	Business-type Activities	Primary Government Total
Current assets	$ 3,179,143	$ 1,716,647	$ 4,895,790
Noncurrent assets	1,746,159	1,062,101	2,808,260
Capital assets	11,941,119	2,092,763	14,033,882
Total assets	16,866,421	4,871,511	21,737,932
Current liabilities	1,523,216	483,803	2,007,019
Noncurrent liabilities	2,773,625	1,421,520	4,195,145
Total liabilities	4,296,841	1,905,323	6,202,164
Net assets:			
Invested in capital assets, net of related debt	10,042,962	1,194,191	11,237,153
Restricted net assets	2,124,499	1,473,311	3,597,810
Unrestricted net assets	402,119	298,686	700,805
Total net assets	$ 12,569,580	$ 2,966,188	$ 15,535,768

The amount of total net assets is one measure of the health of the State's finances, and the state reports significant positive balances in all categories of net assets. However, this measure must be used with care because large portions of the balances relate to capital assets or restricted assets that may be unavailable to meet the day-to-day payments of the State.

The largest portion of the State's net assets (72 percent) *represents capital assets, net of related debt* of $11.2 billion. The State uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the State's net assets of $3.6 billion (23 percent) represents resources that are subject to external restrictions on how they may be used. The largest restrictions are by the federal government and State constitution for basic education funded by the Land Endowment Earnings of the Permanent Funds and Unemployment Insurance Premiums from employers for funding the Unemployment Compensation Fund. Another major restriction is unspent debt instrument proceeds for the construction of additional capital assets.

The remaining balance of the State's net assets of $700.8 million (5 percent) represents *unrestricted net assets* that may be used to meet the State's ongoing obligations to citizens and creditors.

The State's net assets decreased by $257.9 million during the current fiscal year. This decrease is primarily attributable to litigation claims, Medicaid income eligibility level increases, and a decrease of income tax collections.

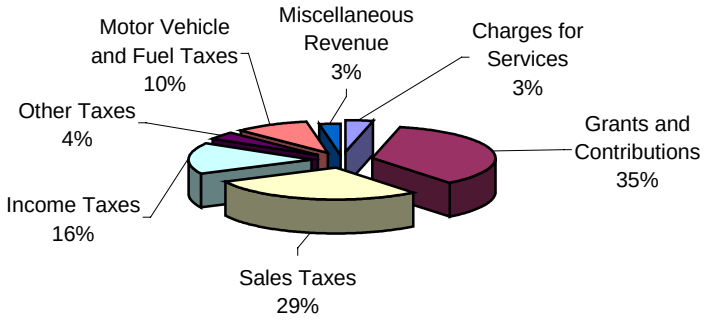
State of Arizona-Primary Government
Changes in Net Assets for Fiscal Year Ended June 30, 2002
(expressed in thousands)

	Governmental Activities	Business-type Activities	Primary Government Total
Revenues:			
Program revenues:			
Charges for services	$ 577,786	$ 1,188,882	$ 1,766,668
Operating grants and contributions	4,996,539	737,170	5,733,709
Capital grants and contributions	471,020	48,180	519,200
General revenues:			
Sales taxes	4,450,691	41,367	4,492,058
Income taxes	2,442,320	-	2,442,320
Property taxes	49,611	-	49,611
Motor vehicle and fuel taxes	1,493,259	-	1,493,259
Other taxes	544,514	-	544,514
Unrestricted investment earnings	116,376	29,327	145,703
Unrestricted grants and contributions	8,518	83,108	91,626
Miscellaneous revenue	186,917	12,447	199,364
Contributions to permanent endowments	-	2,723	2,723
Gain on sale of trust land	137,565	-	137,565
Total revenues	15,475,116	2,143,204	17,618,320
Expenses:			
General government	852,417	-	852,417
Health and welfare	5,960,399	-	5,960,399
Inspection and regulation	131,363	-	131,363
Education	4,277,635	-	4,277,635
Protection and safety	931,292	-	931,292
Transportation	411,108	-	411,108
Natural resources	152,772	-	152,772
Intergovernmental Revenue Sharing	2,190,160	-	2,190,160
Interest on long-term debt	131,206	-	131,206
Universities	-	2,039,110	2,039,110
Unemployment compensation	-	406,406	406,406
Industrial commission	-	57,503	57,503
Lottery	-	239,648	239,648
Other business-type activities	-	95,164	95,164
Total expenses	15,038,352	2,837,831	17,876,183
Excess (deficiency) before transfers	436,764	(694,627)	(257,863)
Transfers	(709,916)	709,916	-
Change in net assets	(273,152)	15,289	(257,863)
Net assets - July 1, 2001, as restated	12,842,732	2,950,899	15,793,631
Net assets - June 30, 2002	$ 12,569,580	$ 2,966,188	$ 15,535,768

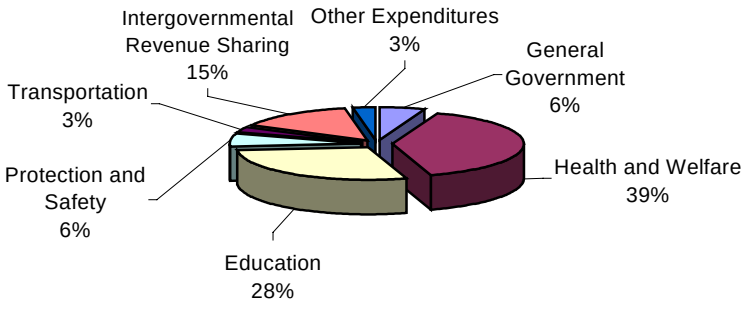
Change in Net Assets

Governmental activities – Net assets decreased by $273.2 million or 2.1%. Four revenue sources contribute approximately 90% of total revenues. The total taxes on sales (29%), income (16%), and motor vehicles and fuel (10%) contribute approximately 55%. Operating and capital grants and contributions combined account for 35% of total revenues. Governmental activities decreased the State's net assets by $273.2 million, accounting for more than the State's total decrease in net assets of $257.9 million. The difference of $15.3 million is the net increase in assets from business-type activities. The net cost of services by function is shown on **page 22**.

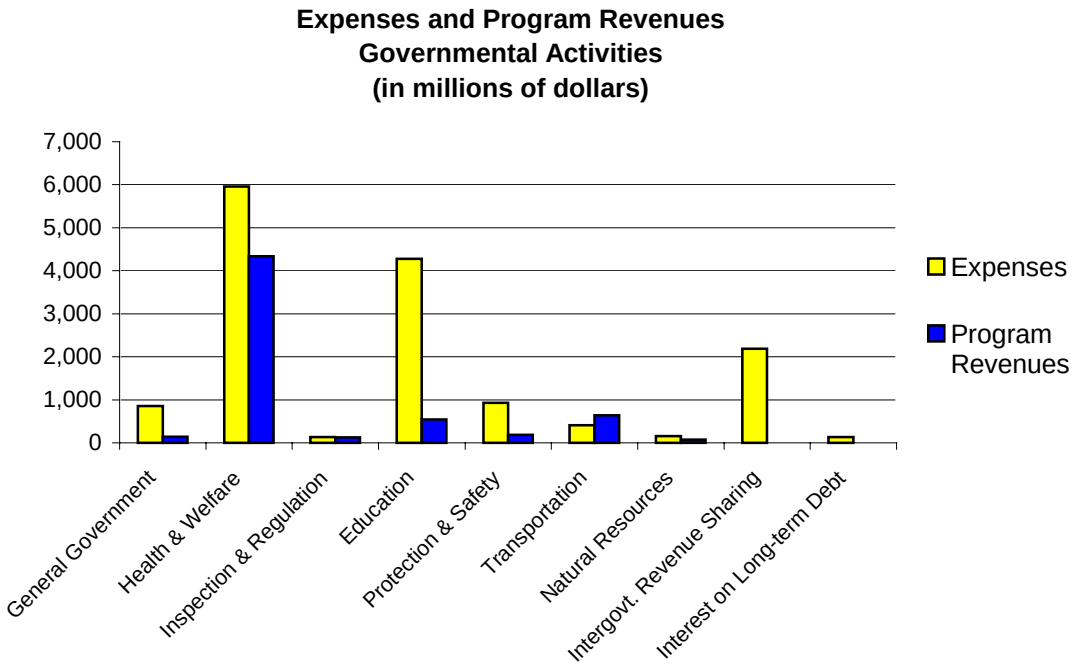
Revenues by Source
Governmental Activities



Expenditures by Function
Governmental Activities



	Governmental Activities (in thousands)
Expenses Net of Program Revenues:	
General government	$ (710,810)
Health and welfare	(1,620,216)
Inspection and regulation	(8,409)
Education	(3,737,181)
Protection and safety	(744,198)
Transportation	228,870
Natural resources	(79,697)
Intergovernmental revenue sharing	(2,190,160)
Interest expense	(131,206)
Total Governmental Activities Expenses	(8,993,007)
General Revenues:	
Taxes	8,980,395
Unrestricted investment earnings	116,376
Other	195,435
Gain on sale of trust land	137,565
Transfers to Business-Type Activities	(709,916)
Decrease in Governmental Activities Net Assets	$ (273,152)



Business-type activities – The net assets increased by $15.3 million or 0.5%. The sum of the change in net assets for the Unemployment Compensation, Lottery, and Other Enterprise funds remained relatively unchanged for the fiscal year ($4.4 million increase). The Universities' net assets increased $59.3 million primarily from normal operations. The Industrial Commission's net assets decreased by $50.8 million primarily due to seven medical insurance carriers becoming insolvent during the year and contributing to the $37.2 million increase of the commission's long term insurance liability.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The general government functions are contained in the General, Special Revenue, Debt Service, Capital Projects and Permanent Funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund of the State. At June 30, 2002, unreserved fund balance of the general fund was $560.5 million while total fund balance closed the year at $712.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents four percent of total expenditures and other financing uses, while total fund balance represents six percent of the same amount.

The fund balance of the State's general fund decreased by $596.1 million during the fiscal year. Most of the decline in fund balance is due to the decrease in income tax collections as a result of the declining Arizona economy and an increase in the Medicaid income eligibility limit approved by a voter initiative approved in November 2000. The initiative increased the indigent health care maximum income eligibility limit from $5,500 a year to $16,500 a year (100% of the Federal Poverty Level).

Income tax revenue comes from three major sources: withholding from wages, individual income tax and corporate income tax. In fiscal 2002, 94.4% of revenue came from withholding from wages and 14.2% from corporate income taxes. Refunds exceeded collections for individual income taxes, contributing a *negative* 8.6% of total net revenues. A comparison of fiscal year 2002 to 2001 income tax collection data indicates reduced cash receipts in all three areas. Net corporate income tax collections decreased $194.9 million, net withholding from wages decreased $56.4 million, and the amount by which individual income tax refunds exceeded individual income tax receipts increased $156.9 million in comparison to 2001. Refunds and charge-off items for all sources of income tax collections totaled $1.091 billion in fiscal year 2002 and $1.055 billion in fiscal year 2001. The only major increase in income tax refunds for fiscal year 2002 was for corporations. Corporation income tax refunds increased $29.1 million from fiscal year 2001. The preceding comparisons suggest that taxable wages earned by workers and taxable profits generated by corporations decreased approximately $5.9 billion and $2.8 billion, respectively during fiscal year 2002**.** The tax rates used to calculate the State's reduced economic activity are 3.6% for individuals and 6.9% for corporations. Cash collections and modified accrual basis of accounting both indicate that income tax resources declined approximately $425 million in 2002 in comparison to 2001.

The increase of the State's Medicaid population, due to passage of the November 2000 initiative, created initial year general fund expenditures of approximately $210 million. General tax revenues of $70 million were appropriated and $140 million came from Tobacco Litigation Settlement receipts. Voters identified the Tobacco Litigation Settlement receipts as the funding source for expanded Medicaid coverage authorized by

an initiative passed in the November 2000 general election. If litigation receipts do not cover the State's share of the expanded coverage the initiative requires the general tax dollars to provide the remaining resources.

Transportation and Aviation Fund

The transportation and aviation fund is responsible for repair and maintenance of existing roads, paying the debt service for roads that are being or were built from the issuing of revenue bonds, and providing technical assistance with current road construction financed by the issuing of revenue bonds. For fiscal year 2001 and 2002, the annual revenue earned and sum of operating and debt service expenditures have averaged $2 billion each year. Total fund balance declined approximately $25 million during fiscal year 2002. The fund balance decrease is due to expenditure increase of approximately $11 million for debt service transfers, $10 million for engineering and construction, and $4 million for administration.

Land Endowments Fund

The fund was established when the federal government granted Statehood. Both the State constitution and the federal government require that the land grants given to the State are maintained indefinitely and the earnings from the land are used for public education, primarily kindergarten through twelfth grade. The land endowments fund total fund balance increased $2 million during fiscal year 2002. Declining rental fees from land uses and an unrealized loss of $38 million on the carrying value of investments precluded an increase in fund value as was realized in recent years.

***Proprietary funds* –** The State's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

The universities' transfer from the general fund represents approximately 36 percent of the resources received by the universities during the fiscal year and 28 percent of all funding for the enterprise funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budgetary Comparison Schedules for the major governmental funds are in the Required Supplementary Information section beginning on **page 106**. Differences between the original budget and the final amended budget resulted in a $470.8 million increase in appropriations for the General Fund and can be briefly summarized as follows:

- The School Facilities Board reverted $209 million for current and future operations. Funds to be used for new construction and building renewal were $83 million and $70 million respectively. The remaining $56 million was allocated for school deficiencies.
- The School Accountability Fund – Proposition 301 Account appropriations were increased by $23 million.
- Payments during fiscal year 2002 from fiscal year 2001 reverting appropriations, which are allowed by ARS 35-191, totaled approximately $63 million.
- Department of Economic Security Temporary Assistance for Needy Families appropriations increased $37 million.
- A $98 million increase for AHCCCS indigent payment to counties and private hospitals.
- A $30 million increase for reversions from Public Safety, Economic Security, Commerce and AHCCCS.
- A $70 million increase to AHCCCS for indigent health care at federal poverty level.

The General Fund final budget exceeded actual expenditures by $672 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2002 totaled $14.0 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 9.1 percent, with an 9.4 percent increase in capital assets used for governmental activities and a 6.9 percent increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled $257.9 million.

Major capital assets activity during the current fiscal year included the following:

- The universities' additions to capital assets totaled $292.9 million. Some of the capital asset additions were for equipment purchases of $104.8 million and construction of new facilities totaling $91.1 million.
- The department of transportation completed roads and bridges totaling $280.7 million during the fiscal year.

For government-wide financial statement presentation, all depreciable assets, except infrastructure using the modified approach, were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2002 are presented below (amounts in thousands):

	Governmental Activities	Business-type Activities	Primary Government Total
Land	$ 1,814,708	$ 133,523	$ 1,948,231
Buildings	1,063,937	2,100,782	3,164,719
Improvements Other than Buildings	115,837	36,920	152,757
Equipment	586,061	1,136,111	1,722,172
Collections (non-depreciable)	0	12,298	12,298
Infrastructure	7,468,539	213,301	7,681,840
Construction in Progress	1,676,519	98,572	1,775,091
Less Accumulated Depreciation	(784,482)	(1,638,744)	(2,423,226)
Total	$ 11,941,119	$ 2,092,763	$ 14,033,882

As provided by GASB 34, the State has elected to record its infrastructure assets using the modified approach. Assets accounted for under the modified approach include approximately 6,650 center lane miles (17,807 travel lane miles) and 4,378 bridges that the State is responsible for maintaining.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 poor) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.6 was achieved for fiscal year 2002.

The State manages its bridges using the Arizona Bridge Information and Storage System (ABISS). The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to Maintain a Condition Rating Index (CRI) of 92.5 percent or better. In fiscal year 2002 a CRI of 93.6 percent was obtained.

In addition to many smaller projects, the following major highway construction projects in excess of $20 million were started during the fiscal year 2002 (amounts in thousands):

Project Description	Contract Start	Contract Amount
Construction of Pima Loop 101 from Scottsdale Road to Pima Road	07/18/2001	$ 24,538
Construction of the Red Mountain Loop 202 from Gilbert Road to Higley Road	08/21/2001	46,835
Widening of a 5.5 mile section of State Route 260 near Christopher Creek	09/27/2001	32,500
Construction of US 60 (Grand Avenue) Ramps at 27th Avenue and 91st Avenue	09/27/2001	24,210
Reconstruction of the Interstate 10 and Interstate 19 Interchange	04/15/2002	54,272
Construction of the Price Loop 101 and Santan Loop 202 Interchange	04/22/2002	48,375
Construction of the Santan Loop 202 from 56th Street to McClintock Drive	06/24/2002	38,377

Long-term debt

The State issues no general obligation debt instruments. The Arizona Constitution, under Article 9 Section 5, provides that the State may contract debts not to exceed $350 thousand. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of the State government. As a result, the State pledges either dedicated revenue streams or the constructed building or equipment acquired as security for the repayment of long-term debt instruments.

State of Arizona-Primary Government
Outstanding Long Term Debt as of June 30, 2002
(expressed in thousands)

	Governmental Activities	Business Type Activities	Total Primary Government
Revenue Bonds	$ 1,782,510	$ 596,403	$ 2,378,913
Grant Anticipation Notes	182,295	-	182,295
Certificates of Participation	231,904	422,010	653,914
Capital Leases	8,517	37,758	46,275
Installment Purchase Contracts	10,228	3,832	14,060
Total	$ 2,215,454	$ 1,060,003	$ 3,275,457

Department of Transportation Debt Instrument Ratings – The senior lien Highway Revenue Bonds have been rated AAA/Aa1 by Standard & Poor's Rating Services Group and Moody's Investors Service, respectively. The agency's subordinate lien Highway Revenue Bonds are rated AA/Aa2. Senior lien Transportation Excise Tax Revenue Bonds are rated AA/Aa2, while the subordinate lien Transportation Excise

Tax Revenue Bonds are rated A/Aa3. The Grant Anticipation Notes are rated AA-/Aa3/AA with the additional rating provided by Fitch, Inc.

ECONOMIC CONDITION AND OUTLOOK

Budget Stabilization Fund – The Budget Stabilization Fund's 2002 fiscal year end cash balance was $67.7 million after required legislative transfers were completed. The transfers out to the general fund totaled $250.5 million and were needed to cover a general fund deficit caused by income tax revenues being less than forecasted amounts.

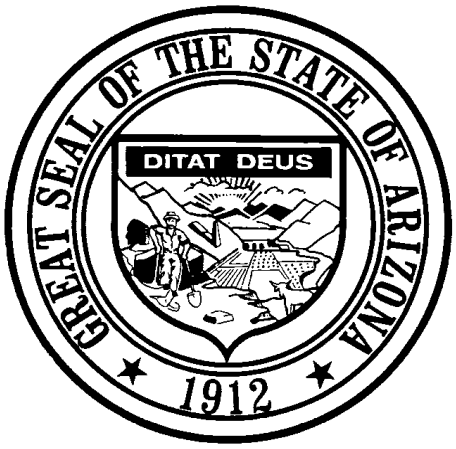
University financing changes – The legislature passed new debt limits for the universities that take effect in fiscal year 2003. An individual university may issue new debt as long as its annual total debt instrument funding does not exceed eight percent of the sum of debt service and operating expenses. Based on fiscal year 2002 financial statements, the debt service ratios of each university is approximately two percent.

Revenue increases - The only major fund level revenue increase for fiscal year 2002 was intergovernmental revenue for economic security federal grants and the AHCCCS Medicaid program. The revenue increases totaled approximately $850 million but are offset by an **equal** amount of direct and administrative grant and program expenditures.

CONTACTING THE STATE COMPTROLLER'S OFFICE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. To obtain their phone numbers, you may contact the General Accounting Office at (602) 542-5405.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DEPARTMENT OF AGRICULTURE

BASIC FINANCIAL STATEMENTS

STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2002
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and investments	$ 2,164,950	$ 1,379,067	$ 3,544,017	$ 412,248
Collateral investment pool	-	134,945	134,945	-
Receivables, net of allowances:				
Taxes	502,791	38,069	540,860	-
Interest	19,561	3,736	23,297	22,715
Loans and notes	-	55,767	55,767	15,178
Other	86,395	46,909	133,304	79,201
Internal balances	27,568	(27,568)	-	-
Reinsurance recoverables	-	-	-	38,545
Due from U.S. Government	299,251	51,249	350,500	2,287
Due from local governments	53,618	-	53,618	-
Due from others	45	-	45	-
Inventory of food stamps	100	-	100	-
Inventories, at cost	17,833	27,217	45,050	9,403
Other current assets	7,031	7,256	14,287	17,617
Total Current Assets	3,179,143	1,716,647	4,895,790	597,194
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents	423,105	275,901	699,006	-
Cash held by trustee	66,235	-	66,235	10,463
Investments held by trustee	-	200,402	200,402	19,158
Loans and notes receivable, net of allowances	204,586	82,577	287,163	262,223
Investments	-	289,890	289,890	2,311,258
Endowment investments	1,052,233	199,826	1,252,059	-
Other noncurrent assets	-	13,505	13,505	58,819
Capital assets:				
Infrastructure, land and other non-depreciable	10,955,123	244,393	11,199,516	14,852
Depreciable buildings, property and equipment	1,770,478	3,487,114	5,257,592	330,019
Less: accumulated depreciation	(784,482)	(1,638,744)	(2,423,226)	(211,727)
Total Noncurrent Assets	13,687,278	3,154,864	16,842,142	2,795,065
Total Assets	$ 16,866,421	$ 4,871,511	$ 21,737,932	$ 3,392,259

The Notes to the Financial Statements are an integral part of this statement. (Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2002
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 331,622	$ 66,621	$ 398,243	$ 24,872
Accrued liabilities	280,476	31,018	311,494	18,877
Obligation under securities loan agreements	17,960	134,945	152,905	193,027
Tax refunds payable	307	-	307	-
Due to U.S. Government	65,739	20	65,759	-
Due to local governments	226,251	990	227,241	-
Due to others	91,913	46,537	138,450	-
Deferred revenue	19,243	92,894	112,137	46,014
Current portion of accrued insurance losses	-	13,735	13,735	5,649
Current portion of long-term debt	357,232	50,900	408,132	15,740
Current portion of other long-term liabilities	132,473	46,143	178,616	3,506
Total Current Liabilities	1,523,216	483,803	2,007,019	307,685
Noncurrent Liabilities:				
Deferred revenue	9,822	54,371	64,193	-
Accrued insurance losses	234,331	173,930	408,261	1,803,292
NCCI assigned risk pool liability	-	-	-	21,483
Policyholders' dividends	-	-	-	19,341
Funds held for others	-	29,657	29,657	-
Long-term debt	2,083,771	1,163,390	3,247,161	369,079
Other long-term liabilities	445,701	172	445,873	4,412
Total Noncurrent Liabilities	2,773,625	1,421,520	4,195,145	2,217,607
Total Liabilities	4,296,841	1,905,323	6,202,164	2,525,292
NET ASSETS				
Invested in capital assets, net of related debt	10,042,962	1,194,191	11,237,153	62,826
Restricted for:				
Federal grants	158,424	-	158,424	-
Capital projects	589,996	33,515	623,511	-
Unemployment compensation	-	1,055,543	1,055,543	-
Debt service	51,861	30,153	82,014	-
Permanent funds:				
Expendable	56,697	-	56,697	-
Nonexpendable	1,243,389	-	1,243,389	-
Loans and other financial assistance	-	258,954	258,954	193,971
Workers' compensation	-	-	-	514,970
Other purposes	24,132	95,146	119,278	-
Unrestricted	402,119	298,686	700,805	95,200
Total Net Assets	$ 12,569,580	$ 2,966,188	$ 15,535,768	$ 866,967

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

		PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 852,417	$ 120,514	$ 21,093	$ -
Health and welfare	5,960,399	70,502	4,269,681	-
Inspection and regulation	131,363	114,138	8,816	-
Education	4,277,635	27,719	512,735	-
Protection and safety	931,292	80,647	106,199	248
Transportation	411,108	112,725	56,481	470,772
Natural resources	152,772	51,541	21,534	-
Intergovernmental revenue sharing	2,190,160	-	-	-
Interest on long-term debt	131,206	-	-	-
Total Governmental Activities	15,038,352	577,786	4,996,539	471,020
Business-type Activities:				
Universities	2,039,110	639,050	488,489	48,180
Unemployment compensation	406,406	163,647	248,127	-
Industrial Commission	57,503	5,270	-	-
Lottery	239,648	294,848	-	-
Other	95,164	86,067	554	-
Total Business-type Activities	2,837,831	1,188,882	737,170	48,180
Total Primary Government	$ 17,876,183	$ 1,766,668	$ 5,733,709	$ 519,200
COMPONENT UNITS:				
University Medical Center	$ 257,045	$ 257,306	$ -	$ -
Arizona Power Authority	24,168	23,018	-	-
State Compensation Fund	315,256	227,075	137,381	-
Water Infrastructure Finance Authority	12,627	10,772	17,422	-
Total Component Units	$ 609,096	$ 518,171	$ 154,803	$ -
General Revenues:				
Taxes:				
Sales				
Income				
Property				
Motor vehicle and fuel				
Other				
Unrestricted investment earnings				
Unrestricted grants and contributions				
Miscellaneous				
Contributions to permanent endowments				
Gain on sale of trust land				
Transfers				
Total General Revenues, Contributions, Gains and Transfers				
Change in Net Assets				
Net Assets - Beginning, as restated				
Net Assets - Ending				

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ (710,810)		$ (710,810)	
(1,620,216)		(1,620,216)	
(8,409)		(8,409)	
(3,737,181)		(3,737,181)	
(744,198)		(744,198)	
228,870		228,870	
(79,697)		(79,697)	
(2,190,160)		(2,190,160)	
(131,206)		(131,206)	
(8,993,007)		(8,993,007)	
	$ (863,391)	(863,391)	
	5,368	5,368	
	(52,233)	(52,233)	
	55,200	55,200	
	(8,543)	(8,543)	
	(863,599)	(863,599)	
(8,993,007)	(863,599)	(9,856,606)	
			$ 261
			(1,150)
			49,200
			15,567
			63,878
4,450,691	41,367	4,492,058	-
2,442,320	-	2,442,320	-
49,611	-	49,611	-
1,493,259	-	1,493,259	-
544,514	-	544,514	-
116,376	29,327	145,703	3,934
8,518	83,108	91,626	-
186,917	12,447	199,364	2
-	2,723	2,723	-
137,565	-	137,565	-
(709,916)	709,916	-	-
8,719,855	878,888	9,598,743	3,936
(273,152)	15,289	(257,863)	67,814
12,842,732	2,950,899	15,793,631	799,153
$ 12,569,580	$ 2,966,188	$ 15,535,768	$ 866,967

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash and investments	$ 781,388	$ 227,912	$ 53,616	$ 1,000,259	$ 2,063,175
Receivables, net of allowances:					
Taxes	393,838	102,619	-	6,334	502,791
Interest	10,820	2,854	1,335	4,696	19,705
Loans and notes	-	-	204,586	-	204,586
Other	23,720	16,503	18,187	17,005	75,415
Due from U.S. Government	130,028	57,593	-	150	187,771
Due from local governments	3,288	-	-	6,335	9,623
Due from others	-	-	-	45	45
Due from other Funds	6,028	42,129	1,390	15,638	65,185
Inventory of food stamps	100	-	-	-	100
Inventories, at cost	8,355	4,083	-	2,670	15,108
Restricted assets:					
Cash and cash equivalents	3,102	305,136	-	114,867	423,105
Cash held by trustee	-	-	-	66,235	66,235
Endowment investments	-	-	1,052,233	-	1,052,233
Other	342	-	-	28	370
Total Assets	$ 1,361,009	$ 758,829	$ 1,331,347	$ 1,234,262	$ 4,685,447
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 144,079	$ 103,791	$ 4,921	$ 32,541	$ 285,332
Accrued liabilities	128,454	6,002	79	3,041	137,576
Obligations under securities loan agreements	-	-	17,960	-	17,960
Tax refunds payable	307	-	-	-	307
Due to U.S. Government	58,976	-	-	3,455	62,431
Due to local governments	70,588	91,537	-	64,126	226,251
Due to others	91,633	986	-	300	92,919
Due to other Funds	33,162	739	-	2,830	36,731
Deferred revenue	120,994	11,571	225,636	2,210	360,411
Notes payable	-	187,156	-	-	187,156
Total Liabilities	648,193	401,782	248,596	108,503	1,407,074
Fund Balances:					
Reserved for:					
Budget stabilization fund	67,700	-	-	-	67,700
Highway construction	-	199,924	-	77,397	277,321
Other construction	-	-	-	53,088	53,088
School facilities improvements	-	-	-	262,654	262,654
Permanent funds	-	-	1,082,018	-	1,082,018
Continuing appropriations	84,027	71,511	733	52,450	208,721
Debt service	-	2,196	-	58,927	61,123
Other fund balance reservations	611	20,000	-	18,382	38,993
Unreserved	560,478	63,416	-	-	623,894
Unreserved reported in:					
Nonmajor special revenue funds	-	-	-	569,499	569,499
Nonmajor capital projects funds	-	-	-	33,362	33,362
Total Fund Balances	712,816	357,047	1,082,751	1,125,759	3,278,373
Total Liabilities and Fund Balances	$ 1,361,009	$ 758,829	$ 1,331,347	$ 1,234,262	$ 4,685,447

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2002

(Expressed in Thousands)

Total fund balances - governmental funds		$ 3,278,373
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,867,696
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		331,346
Internal service funds are used by management to charge the costs of fleet management, risk management and telecommunications to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(95,961)
The allocation of internal service fund net income results in an amount due to business-type activites, which is not reported in the funds.		(2,480)
Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the funds. These amounts consist of:		
Revenue bonds	(1,782,510)	
Premium on revenue bonds	(28,026)	
Grant anticipation notes	(182,295)	
Certificates of participation	(231,904)	
Premium on certificates of participation	(4,674)	
Capital leases	(8,517)	
Installment contracts	(8,740)	(2,246,666)
Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds. Those liabilities consist of:		
Compensated absences	(127,162)	
Claims and judgements	(438,000)	(565,162)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		2,434
Net assets of governmental activities		$ 12,569,580

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2002

(Expressed in Thousands)

	GENERAL	TRANSPORTATION & AVIATION FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	$ 3,800,270	$ 267,563	$ -	$ 356,695	$ 4,424,528
Income	2,410,342	-	-	-	2,410,342
Property	40,823	6,528	-	2,260	49,611
Motor vehicle and fuel	11,324	1,446,221	-	35,714	1,493,259
Other	358,590	-	-	184,465	543,055
Intergovernmental	4,573,647	534,382	153	74,588	5,182,770
Licenses, fees and permits	72,847	104,407	-	149,752	327,006
Earnings on investments	61,153	22,167	(5,054)	58,247	136,513
Sales and charges for services	80,977	941	25,879	32,771	140,568
Fines, forfeitures and penalties	16,627	-	-	81,722	98,349
Other	228,823	26,784	12,587	52,676	320,870
Total Revenues	11,655,423	2,408,993	33,565	1,028,890	15,126,871
EXPENDITURES					
Current:					
General government	401,389	-	932	83,833	486,154
Health and welfare	5,512,341	-	5,565	270,868	5,788,774
Inspection and regulation	49,152	-	-	80,074	129,226
Education	3,599,432	-	73,428	515,641	4,188,501
Protection and safety	822,952	-	1,897	68,137	892,986
Transportation	56	400,744	-	572	401,372
Natural resources	54,375	-	928	85,297	140,600
Intergovernmental revenue sharing	1,205,039	985,121	-	-	2,190,160
Debt service:					
Principal	6,316	-	139	264,395	270,850
Interest and other fiscal charges	1,270	1,228	-	123,096	125,594
Capital outlay	50,239	685,921	161	391,395	1,127,716
Total Expenditures	11,702,561	2,073,014	83,050	1,883,308	15,741,933
Excess (Deficiency) of Revenues Over Expenditures	(47,138)	335,979	(49,485)	(854,418)	(615,062)
OTHER FINANCING SOURCES (USES)					
Transfers in	293,957	7,425	349	546,521	848,252
Transfers out	(846,194)	(370,064)	-	(326,702)	(1,542,960)
Proceeds from sale of trust land	-	-	51,265	-	51,265
Capital lease and installment purchase contracts	3,308	859	-	-	4,167
Refunding bonds issued	-	-	-	74,250	74,250
Payment to refunded bond escrow agent	-	-	-	(77,135)	(77,135)
Bonds issued	-	-	-	148,350	148,350
Premium on bonds issued	-	-	-	10,142	10,142
Refunding certificates of participation issued	-	-	-	71,051	71,051
Payment to refunded certificate of participation escrow agent	-	-	-	(65,087)	(65,087)
Certificates of participation issued	-	-	-	68,203	68,203
Premium on certificates of participation issued	-	-	-	4,674	4,674
Total Other Financing Sources (Uses)	(548,929)	(361,780)	51,614	454,267	(404,828)
Net Change in Fund Balances	(596,067)	(25,801)	2,129	(400,151)	(1,019,890)
Fund Balances - Beginning, as restated	1,308,883	382,848	1,080,622	1,525,910	4,298,263
Fund Balances - Ending	$ 712,816	$ 357,047	$ 1,082,751	$ 1,125,759	$ 3,278,373

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2002

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (1,019,890)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	1,127,716	
Depreciation expense	(86,184)	1,041,532
The portion of expenses of internal service funds is included with governmental activities in the Statement of Activities.		(7,664)
Some revenues reported in the statement of activities are not currently available at year-end and are not reported as revenue in the governmental funds.		
Sales and use taxes	26,163	
Income taxes	31,978	
Other taxes	1,459	
Gain on sale of trust land	84,393	
Other revenue	256	144,249
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Litigation	(438,000)	
Compensated absences	(10,170)	
Other non-current expenses	(9,052)	(457,222)
Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
New bonds issued	(148,350)	
Refunding bonds issued	(74,250)	
Premium on bonds Issued	(10,142)	
Bond premium amortization	1,787	
New certificates of participation issued	(68,203)	
Premium on COPs issued	(4,674)	
Refunding certificates of participation issued	(71,051)	(374,883)

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2002

(Expressed in Thousands)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Debt service principal	270,850	
Payment to refunding bond agent	71,000	
Payment to refunding certificates of participation escrow agent	61,995	
Bond issuance costs	1,048	404,893
Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as an other financing source in governmental funds, however, these amounts are reported as liabilities in the Statement of Net Assets.		(4,167)
Change in net assets of governmental activities		$ (273,152)

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
ASSETS					
Current Assets:					
Cash and investments	$ 289,799	$ 1,033,312	$ 9,055	$ 28,392	$ 18,509
Collateral investment pool	101,730	-	33,215	-	-
Receivables, net of allowances:					
Taxes	-	38,069	-	-	-
Interest	586	-	2,387	-	763
Loans and notes	4,748	-	-	-	51,019
Other	32,295	7,026	17	2,934	4,637
Due from U.S. Government	51,199	-	-	-	50
Due from local governments	-	-	-	-	-
Due from other Funds	-	-	-	-	2,651
Inventories, at cost	16,177	-	-	1,852	9,188
Other current assets	6,398	-	-	-	858
Total Current Assets	502,932	1,078,407	44,674	33,178	87,675
Noncurrent Assets:					
Restricted assets:					
Cash and cash equivalents	131,225	-	-	-	144,676
Investments held by trustee	197,038	-	3,364	-	-
Loans and notes receivable, net of allowances	27,477	-	-	-	55,100
Investments	102,913	-	186,977	-	-
Endowment investments	199,826	-	-	-	-
Other long-term assets	6,795	-	-	6,710	-
Capital assets:					
Infrastructure, land and other non-depreciable	238,025	-	2,997	938	2,433
Depreciable buildings, property and equipment	3,399,086	-	25,638	7,253	55,137
Less: accumulated depreciation	(1,596,031)	-	(4,502)	(4,486)	(33,725)
Total Noncurrent Assets	2,706,354	-	214,474	10,415	223,621
Total Assets	3,209,286	1,078,407	259,148	43,593	311,296
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	60,489	-	1,629	2,149	2,354
Accrued liabilities	19,870	9,943	-	-	1,205
Obligation under securities loan agreements	101,730	-	33,215	-	-
Due to U.S. Government	-	20	-	-	-
Due to local governments	-	-	-	990	-
Due to others	12,559	12,688	-	21,125	165
Due to other Funds	-	213	-	9,477	23,009
Deferred revenue	85,642	-	-	-	7,252
Current portion of accrued insurance losses	-	-	13,735	-	-
Current portion of long-term debt	49,500	-	1,400	-	-
Current portion of other long-term liabilities	45,165	-	-	391	587
Total Current Liabilities	374,955	22,864	49,979	34,132	34,572
Noncurrent Liabilities:					
Deferred revenue	54,371	-	-	-	-
Accrued insurance losses	-	-	173,930	-	-
Long-term debt	1,011,854	-	6,000	-	145,536
Other long-term liabilities	29,657	-	-	-	172
Total Noncurrent Liabilities	1,095,882	-	179,930	-	145,708
Total Liabilities	1,470,837	22,864	229,909	34,132	180,280

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
$ 1,379,067	$ 101,775
134,945	-
38,069	-
3,736	25
55,767	-
46,909	10,810
51,249	-
-	38
2,651	2,113
27,217	2,725
7,256	5,708
1,746,866	123,194
275,901	-
200,402	-
82,577	-
289,890	-
199,826	-
13,505	-
244,393	873
3,487,114	197,334
(1,638,744)	(124,784)
3,154,864	73,423
4,901,730	196,617
66,621	37,551
31,018	693
134,945	-
20	838
990	-
46,537	113
32,699	519
92,894	-
13,735	-
50,900	2,841
46,143	6,251
516,502	48,806
54,371	-
173,930	234,331
1,163,390	4,340
29,829	5,101
1,421,520	243,772
1,938,022	292,578

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
NET ASSETS					
Invested in capital assets, net of related debt	1,161,336	-	16,733	3,705	12,417
Restricted for:					
Capital projects	33,515	-	-	-	-
Unemployment compensation	-	1,055,543	-	-	-
Debt service	26,789	-	3,364	-	-
Loans and other financial assistance	175,661	-	-	-	83,293
Other purposes	92,928	-	36	-	2,182
Unrestricted	248,220	-	9,106	5,756	33,124
Total Net Assets	$ 1,738,449	$ 1,055,543	$ 29,239	$ 9,461	$ 131,016

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
1,194,191	66,242
33,515	-
1,055,543	-
30,153	-
258,954	-
95,146	-
296,206	(162,203)
$ 2,963,708	$ (95,961)
2,480	
$ 2,966,188	

STATE OF ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
OPERATING REVENUES					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of $115,000	$ 379,260	$ -	$ -	$ -	$ -
Auxilary enterprises, net of scholarship allowances of $5,400	202,981	-	-	-	-
Lottery	-	-	-	294,824	-
Other	56,809	-	-	-	84,121
Unemployment assessments	-	162,157	-	-	-
Intergovernmental	448,036	184,484	-	-	554
Nongovernmental grants and contracts	55,831	-	-	-	-
Licenses, fees and permits	-	-	-	24	700
Earnings on investments	-	-	5,270	-	1,246
Fines, forfeitures and penalties	-	1,490	-	-	-
Other	-	23	2,709	746	1,536
Total Operating Revenues	1,142,917	348,154	7,979	295,594	88,157
OPERATING EXPENSES					
Cost of sales and benefits	460,529	406,406	52,892	192,448	57,827
Scholarships and fellowships	85,666	-	-	-	-
Personal services	1,297,804	-	-	4,967	19,673
Contractual services	-	-	1,082	7,918	4,293
Aid to local governments	-	-	-	-	-
Depreciation and amortization	149,493	-	714	305	2,945
Insurance	-	-	-	36	776
Other	-	-	2,596	2,334	9,650
Total Operating Expenses	1,993,492	406,406	57,284	208,008	95,164
Operating Income (Loss)	(850,575)	(58,252)	(49,305)	87,586	(7,007)
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	41,367	-	-	-	-
Gain (loss) on sale of capital assets	(345)	-	(3,258)	-	(1)
Interest income	22,957	63,643	76	13	6,281
Endowment earnings on investments	(15,378)	-	-	-	-
Other non-operating revenue	9,165	-	1,872	-	-
Distributions to local governments	-	-	-	(31,640)	-
Interest expense	(38,416)	-	(219)	-	-
Other non-operating expense	(9,682)	-	-	-	-
Total Non-Operating Revenues (Expenses)	9,668	63,643	(1,529)	(31,627)	6,280
Income (Loss) Before Contributions and Transfers	(840,907)	5,391	(50,834)	55,959	(727)
CONTRIBUTIONS AND TRANSFERS					
Gifts and donations	83,100	-	-	-	8
Capital grants and contributions	48,180	-	-	-	-
Contributions to permanent endowments	2,723	-	-	-	-
Transfers in	766,185	-	-	-	5,433
Transfers out	-	(1,506)	-	(55,173)	(5,023)
Total Contributions and Transfers	900,188	(1,506)	-	(55,173)	418
Change in Net Assets	59,281	3,885	(50,834)	786	(309)
Total Net Assets - Beginning, as restated	1,679,168	1,051,658	80,073	8,675	131,325
Total Net Assets - Ending	$ 1,738,449	$ 1,055,543	$ 29,239	$ 9,461	$ 131,016

Change in net assets of enterprise funds
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
$ 379,260	$ -
202,981	-
294,824	-
140,930	524,768
162,157	-
633,074	-
55,831	-
724	-
6,516	-
1,490	-
5,014	5,231
1,882,801	529,999
1,170,102	377,327
85,666	-
1,322,444	33,667
13,293	31,505
-	51
153,457	18,291
812	51,795
14,580	7,790
2,760,354	520,426
(877,553)	9,573
41,367	-
(3,604)	143
92,970	186
(15,378)	-
11,037	-
(31,640)	-
(38,635)	(330)
(9,682)	-
46,435	(1)
(831,118)	9,572
83,108	452
48,180	-
2,723	-
771,618	6
(61,702)	(15,214)
843,927	(14,756)
12,809	(5,184)
2,950,899	(90,777)
$ 2,963,708	$ (95,961)
$ 12,809	
2,480	
$ 15,289	

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ -	$ -	$ 294,745	$ 84,837
Receipts from assessments	-	331,175	-	-	-
Sales and services of auxilary enterprises	214,675	-	-	-	-
Receipts from program loans	-	-	-	-	45,889
Receipts from interfund services / premiums	-	-	-	-	-
Receipts from student tuition and fees	374,952	-	-	-	-
Receipts from federal and local governments	495,276	-	-	-	-
Receipts from uninsured claims	-	-	2,673	-	-
Receipts from other operating activities	58,452	23	38	746	1,505
Program loans made to local governments	-	-	-	-	(74,337)
Payments to employees	(1,292,943)	-	-	(4,949)	(23,973)
Payments to retirees	-	-	-	-	-
Payments for scholarships and fellowships	(85,666)	-	-	-	-
Payments to suppliers, prize winners, claimants or unemployment insurance beneficiaries	(459,509)	(398,247)	(19,453)	(204,059)	(63,954)
Payments to federal and local governments	-	-	-	-	-
Payments for other operating activities	(8,788)	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(703,551)	(67,049)	(16,742)	86,483	(30,033)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Custodial funds received	79,073	-	-	-	-
Office rental income	-	-	1,874	-	-
Share of State sales tax receipts	39,583	-	-	-	-
Grants and contributions received	350,271	-	-	-	-
Transfers from other Funds	760,685	-	-	-	3,512
Interest paid	-	-	-	-	-
Custodial funds disbursed	(74,392)	-	-	-	-
Grants and contributions disbursed	(271,036)	-	-	-	-
Transfers to other Funds	-	(1,463)	-	(53,221)	(2,014)
Distributions to local governments	-	-	-	(32,209)	-
Net Cash Provided (Used) by Non-capital Financing Activities	884,184	(1,463)	1,874	(85,430)	1,498
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	8,066	-	-	-	-
Proceeds from capital debt	304,385	-	-	-	-
Capital grants and contributions received	11,636	-	-	-	-
Transfers from other Funds	5,500	-	-	-	-
Acquisition and construction of capital assets	(249,509)	-	(12,703)	(261)	(3,410)
Interest paid on capital debt, intallment purchase contracts and capital leases	(42,614)	-	(203)	-	-
Principal paid on capital debt, installment purchase contracts and capital leases	(45,434)	-	(1,300)	-	-
Net Cash (Used) by Capital and Related Financing Activities	(7,970)	-	(14,206)	(261)	(3,410)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	425,157	-	107,469	-	-
Interest and dividends from investments	24,037	63,643	12,087	13	6,467
Change in cash collateral received from securities lending transactions	-	-	(1,564)	-	-
Purchase of investments	(524,863)	-	(89,824)	-	-
Net Cash Provided (Used) by Investing Activities	(75,669)	63,643	28,168	13	6,467
Net Increase (Decrease) in Cash and Cash Equivalents	96,994	(4,869)	(906)	805	(25,478)
Cash and Cash Equivalents - Beginning, as restated	263,840	1,038,181	43,176	27,587	188,663
Cash and Cash Equivalents - Ending	$ 360,834	$ 1,033,312	$ 42,270	$ 28,392	$ 163,185

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
$ 379,582	$ -
331,175	-
214,675	-
45,889	-
-	529,699
374,952	-
495,276	-
2,673	-
60,764	4,935
(74,337)	-
(1,321,865)	(33,971)
-	(7,607)
(85,666)	-
(1,145,222)	(455,707)
-	(51)
(8,788)	(17)
(730,892)	37,281
79,073	-
1,874	-
39,583	-
350,271	452
764,197	6
-	(330)
(74,392)	-
(271,036)	-
(56,698)	(15,214)
(32,209)	-
800,663	(15,086)
8,066	-
304,385	1,850
11,636	-
5,500	-
(265,883)	(14,293)
(42,817)	-
(46,734)	(2,160)
(25,847)	(14,603)
532,626	-
106,247	220
(1,564)	-
(614,687)	-
22,622	220
66,546	7,812
1,561,447	93,963
$ 1,627,993	$ 101,775

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (850,575)	$ (58,252)	$ (49,305)	$ 87,586	$ (7,007)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	149,493	-	714	305	2,945
Other non-cash expenses	-	-	-	-	1,156
Investment income from investing activities	-	-	(5,270)	-	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(3,181)	(1,534)	(14)	(103)	(69,400)
Decrease in due from local governments	-	-	-	-	-
(Increase) decrease in due from other Funds	-	-	-	-	(109)
(Increase) decrease in inventories, at cost	(973)	-	-	(978)	(588)
(Increase) decrease in other current assets	(876)	-	-	-	(72)
(Increase) in other noncurrent assets	-	-	-	(48)	-
Increase (decrease) in accounts payable	(1,941)	-	(62)	(297)	(992)
Increase (decrease) in accrued liabilities	-	3,370	-	-	(389)
Increase in due to U.S. Government	-	-	-	-	-
(Decrease) in due to local governments	-	-	-	-	-
Increase in due to others	8	4,789	-	-	53
(Decrease) in due to other Funds	-	-	-	-	(100,715)
(Decrease) in deferred revenue	(1,109)	(15,422)	-	-	(561)
Increase in accrued insurance losses	-	-	2,209	-	-
Increase (decrease) in other current liabilities	-	-	-	-	(125)
Increase in long-term debt	-	-	-	-	145,536
Increase in long-term accrued insurance losses	-	-	34,986	-	-
Increase in other long-term liabilities	5,603	-	-	18	235
Net Cash Provided (Used) by Operating Activities	$ (703,551)	$ (67,049)	$ (16,742)	$ 86,483	$ (30,033)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CASH AND INVESTMENTS					
Cash and cash equivalents - ending	$ 360,834	$ 1,033,312	$ 42,270	$ 28,392	$ 163,185
Restricted cash and cash equivalents	(131,225)	-	-	-	(144,676)
Short-term investments	60,190	-	-	-	-
Collateral investment pool	-	-	(33,215)	-	-
Cash and investments - Proprietary Fund Statement of Net Assets	$ 289,799	$ 1,033,312	$ 9,055	$ 28,392	$ 18,509
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Donated equipment	$ -	$ -	$ -	$ -	$ 8
Gifts and conveyances of capital assets	36,264	-	-	-	-
Assets acquired under capital leases	1,689	-	-	-	-
Unrealized net (loss) from change in fair value of investments	(20,485)	-	(6,479)	-	-
Refinancing long-term debt	292,148	-	-	-	-
Amortization of bond discount and issuance costs	(552)	-	-	-	-
Amortization of bond premium	231	-	-	-	-
Gains (losses) on disposal of capital assets, net	1,522	-	(3,258)	-	-
Amortization of deferred rent	4,900	-	-	-	-
Total noncash investing, capital and financing activities	$ 315,717	$ -	$ (9,737)	$ -	$ 8

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
$ (877,553)	$ 9,573
153,457	18,291
1,156	-
(5,270)	-
(74,232)	1,361
-	496
(109)	1,944
(2,539)	309
(948)	186
(48)	-
(3,292)	3,031
2,981	(390)
-	838
-	(7)
4,850	113
(100,715)	(1,380)
(17,092)	(4)
2,209	-
(125)	1,287
145,536	-
34,986	654
5,856	979
$ (730,892)	$ 37,281
$ 1,627,993	$ 101,775
(275,901)	-
60,190	
(33,215)	-
$ 1,379,067	$ 101,775
$ 8	$ -
36,264	-
1,689	1,571
(26,964)	-
292,148	-
(552)	-
231	-
(1,736)	-
4,900	-
$ 305,988	$ 1,571

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	PENSION TRUSTS	INVESTMENT TRUSTS	AGENCY FUNDS	TOTAL
ASSETS				
Cash and investments	$ 13,012	$ -	$ 252,234	$ 265,246
Receivables, net of allowances:				
Accrued interest and dividends	103,639	8,749	169	112,557
Securities sold	188,868	-	-	188,868
Forward contract receivable	37,659	-	-	37,659
Contributions	17,290	-	-	17,290
Court fees	288	-	-	288
Miscellaneous receivables	998	-	876	1,874
Total receivables	348,742	8,749	1,045	358,536
Investments, at fair value:				
Temporary investments	2,304,740	-	-	2,304,740
United States Government securities	4,572,560	448,952	-	5,021,512
Corporate bonds	2,428,582	3,127,673	-	5,556,255
Corporate notes	175,411	-	-	175,411
Corporate stocks	15,821,630	-	-	15,821,630
Real estate mortgages and contracts	30,213	-	-	30,213
Collateral investment pool	1,281,416	-	-	1,281,416
Other investments	228,900	-	-	228,900
Money market fund	2,467	-	-	2,467
Total investments	26,845,919	3,576,625	-	30,422,544
Custodial securities in safekeeping	-	-	3,013,547	3,013,547
Property and equipment, net of accumulated depreciation	457	-	-	457
Other assets	-	-	2,215	2,215
Total Assets	27,208,130	3,585,374	3,269,041	34,062,545
LIABILITIES				
Accounts payable	39,898	-	13	39,911
Accrued liabilities	-	-	31,995	31,995
Obligation under securities loan agreements	2,954,940	-	-	2,954,940
Due to local governments	-	11,554	2,732	14,286
Due to others	-	-	3,101,900	3,101,900
Other liabilities	455,270	-	132,401	587,671
Total Liabilities	3,450,108	11,554	3,269,041	6,730,703
NET ASSETS				
Held in trust for:				
Pension benefits	23,758,022	-	-	23,758,022
Pool participants	-	3,573,820	-	3,573,820
Total Net Assets	$ 23,758,022	$ 3,573,820	$ -	$ 27,331,842

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	PENSION TRUSTS	INVESTMENT TRUSTS	TOTAL
ADDITIONS:			
Member contributions	$ 263,828	$ -	$ 263,828
Employer contributions	227,469	-	227,469
Member reimbursements	49,365	-	49,365
Court fees	3,485	-	3,485
Investment income:			
Net (decrease) in fair value of investments	(3,179,589)	(1,479)	(3,181,068)
Interest income	437,274	99,644	536,918
Dividends	168,673	-	168,673
Real estate	5,885	-	5,885
Other investment income	11,689	-	11,689
Securities lending income	46,298	-	46,298
Total investment income (loss)	(2,509,770)	98,165	(2,411,605)
Less investment expenses:			
Investment activity expenses	25,745	2,728	28,473
Security lending expenses:			
Interest expense	36,335	-	36,335
Net investment income (loss)	(2,571,850)	95,437	(2,476,413)
Capital share and individual account transactions:			
Shares sold	-	4,828,327	4,828,327
Reinvested interest income	-	109,730	109,730
Shares redeemed	-	(4,828,853)	(4,828,853)
Net capital share and individual account transactions	-	109,204	109,204
Other additions	8,085	-	8,085
Total Additions	(2,019,618)	204,641	(1,814,977)
DEDUCTIONS:			
Retirement and disability benefits	1,277,107	-	1,277,107
Death benefits	14,078	-	14,078
Refunds to withdrawing members, including interest	63,088	-	63,088
Administrative expense	19,735	-	19,735
Dividends to investors	-	95,437	95,437
Other deductions	10,308	-	10,308
Total Deductions	1,384,316	95,437	1,479,753
Change in net assets held in trust for:			
Pension benefits	(3,403,934)	-	(3,403,934)
Pool participants	-	109,204	109,204
Net Assets - Beginning	27,161,956	3,464,616	30,626,572
Net Assets - Ending	$ 23,758,022	$ 3,573,820	$ 27,331,842

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2002
(Expressed in Thousands)

	STATE COMPENSATION FUND	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	WATER INFRASTRUCTURE FINANCE AUTHORITY	TOTAL
ASSETS					
Current Assets:					
Cash and investments	$ 259,310	$ 41,788	$ 6,862	$ 104,288	$ 412,248
Receivables, net of allowances:					
Interest	19,311	-	153	3,251	22,715
Loans and notes	-	-	-	15,178	15,178
Other	39,258	37,323	1,864	756	79,201
Reinsurance recoverables	38,545	-	-	-	38,545
Due from U.S. Government	-	-	-	2,287	2,287
Inventories, at cost	-	9,403	-	-	9,403
Other current assets	12,287	3,801	1,529	-	17,617
Total Current Assets	368,711	92,315	10,408	125,760	597,194
Noncurrent Assets:					
Restricted assets:					
Cash held by trustee	-	-	-	10,463	10,463
Investments held by trustee	-	6,748	12,410	-	19,158
Loans and notes receivable, net of allowances	-	-	-	262,223	262,223
Investments	2,226,048	7,530	-	77,680	2,311,258
Other noncurrent assets	-	4,094	51,833	2,892	58,819
Capital assets:					
Land and other nondepreciable	3,975	10,877	-	-	14,852
Depreciable buildings, property and equipment	54,569	274,238	1,212	-	330,019
Less: accumulated depreciation	(26,591)	(184,106)	(1,030)	-	(211,727)
Total Noncurrent Assets	2,258,001	119,381	64,425	353,258	2,795,065
Total Assets	2,626,712	211,696	74,833	479,018	3,392,259
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	-	21,757	3,115	-	24,872
Accrued liabilities	8,895	5,038	912	4,032	18,877
Obligations under securities loan agreements	193,027	-	-	-	193,027
Deferred revenue	44,505	-	-	1,509	46,014
Current portion of insurance losses	-	5,649	-	-	5,649
Current portion of long-term debt	-	2,715	1,450	11,575	15,740
Current portion of other long-term liabilities	-	3,506	-	-	3,506
Total Current Liabilities	246,427	38,665	5,477	17,116	307,685
Noncurrent Liabilities:					
Accrued insurance losses	1,792,538	10,754	-	-	1,803,292
Long-term debt	-	67,603	66,232	235,244	369,079
NCCI assigned risk pool liability	21,483	-	-	-	21,483
Policyholders' dividends	19,341	-	-	-	19,341
Other long-term liabilities	-	4,412	-	-	4,412
Total Noncurrent Liabilities	1,833,362	82,769	66,232	235,244	2,217,607
Total Liabilities	2,079,789	121,434	71,709	252,360	2,525,292
NET ASSETS					
Investment in capital assets, net of related debt	31,953	30,691	182	-	62,826
Restricted for:					
Loans and other financial assistance	-	-	-	193,971	193,971
Workers' compensation	514,970	-	-	-	514,970
Unrestricted	-	59,571	2,942	32,687	95,200
Total Net Assets	$ 546,923	$ 90,262	$ 3,124	$ 226,658	$ 866,967

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

		PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
FUNCTIONS/PROGRAMS					
University Medical Center	$ 257,045	$ 257,306	$ -	$ -	$ 261
Arizona Power Authority	24,168	23,018	-	-	(1,150)
State Compensation Fund	315,256	227,075	137,381	-	49,200
Water Infrastructure Finance Authority	12,627	10,772	17,422	-	15,567
Total	$ 609,096	$ 518,171	$ 154,803	$ -	$ 63,878

The Notes to the Financial Statements are an integral part of this statement.

GENERAL REVENUES					
UNRESTRICTED INVESTMENT EARNINGS	MISCELLANEOUS	CHANGE IN NET ASSETS	TOTAL NET ASSETS - BEGINNING	TOTAL NET ASSETS - ENDING
$ (3,615)	$ -	$ (3,354)	$ 93,616	$ 90,262
747	2	(401)	3,525	3,124
-	-	49,200	497,723	546,923
6,802	-	22,369	204,289	226,658
$ 3,934	$ 2	$ 67,814	$ 799,153	$ 866,967

STATE OF ARIZONA
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Arizona (the State) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). During the year ended June 30, 2002, the State implemented *GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37,* which prescribes a new reporting model consisting of both government-wide and fund financial statements. The State also implemented *GASB Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities-an amendment of GASB Statement No. 34* and *GASB Statement No. 38, Certain Financial Statement Note Disclosures,* which prescribes new and revised note disclosures.

A. REPORTING ENTITY

The State of Arizona is a general purpose government. The accompanying financial statements present the activities of the State (the primary government) and its component units.

Component units are legally separate entities for which the State is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of a government's operations. Therefore, data from these units is combined with data of the primary government. The State has no blended component units. Discretely presented component units, however, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the State. Each discretely presented component unit discussed below has a June 30 year-end, with the exception of the State Compensation Fund. The State Compensation Fund's financial information is for the calendar year ended December 31, 2001.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

Discretely Presented Component Units

State Compensation Fund – The State Compensation Fund provides insurance to employers for workers' compensation, occupational disease compensation, and medical, surgical and hospital benefits. The Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually, the Governor appoints a chairman from among the board members. The State is required by statute to review and approve the operating and capital outlay budget of the Fund. Complete financial statements may be obtained from the State Compensation Fund's administrative offices.

State Compensation Fund
3031 North 2nd Street
Phoenix, Arizona 85012
(602) 631-2000

University Medical Center (UMC) – The UMC is the primary teaching hospital for the College of Medicine, College of Nursing and the College of Pharmacy of the University of Arizona. UMC was created in 1984 when the State Legislature passed a bill that allowed the Arizona Board of Regents (ABOR) to convey the UMC to a not-for-profit corporation. Although an autonomous entity was created, the teaching missions and research alliances with the University of Arizona and the State of Arizona remained. The ABOR confirms all members of UMC's Board of Directors, and must approve all amendments to the UMC's articles of incorporation and bylaws. Complete financial statements may be obtained from the University Medical Center's administrative offices.

The University Medical Center
655 East River Road
Tucson, Arizona 85704
(520) 694-2700

Arizona Power Authority (APA) – The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydroelectric power plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five electors appointed by the Governor and approved by the Senate. The term of office

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the Arizona Power Authority's administrative offices.

The Arizona Power Authority
1810 West Adams Street
Phoenix, Arizona 85007-2697
(602) 542-4263

Water Infrastructure Finance Authority (WIFA) – The WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors appointed by the Governor. Directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the Water Infrastructure Finance Authority's administrative offices.

The Water Infrastructure Finance Authority
1100 West Washington, Suite 290
Phoenix, Arizona 85007
(602) 364-1310

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – The Authority issues tax-exempt bonds and loans for the purpose of reducing health care costs and improving health care for Arizona residents by providing less expensive financing for health care institutions. Proceeds from bond issues are loaned to various qualifying nonprofit health care institutions. The health care institutions reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed only for cause.

Arizona International Development Authority (the Authority) – The Authority was established to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-member board of directors appointed by the Governor for five-year terms, and can be removed only for cause.

Arizona Tourism and Sports Authority – Arizona Revised Statues §5-802 established the Tourism and Sports Authority to construct, finance, maintain, improve, operate, market and promote the use of a multipurpose facility and do all things necessary to accomplish those purposes. The Tourism and Sports Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a five-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of five years, and may be re-appointed for one full subsequent term, and can be removed only for cause.

Arizona Housing Finance Authority –Arizona Revised Statutes §41-3902 established the Housing Finance Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Housing and Finance Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority is required to notify, and obtain written consent from the governing bodies of any city, town, county, tribal government, or existing corporation for any multifamily residential rental projects planned for their jurisdiction. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Venture

As described in Note 11, the University of Arizona participates in a joint venture. In accordance with generally accepted accounting principles, the financial activity of this joint venture is not included in the State's financial statements.

B. BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the State) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions, enabling legislation, or voter initiative.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular program or function.

The State does not allocate indirect expenses to programs or functions. Program revenue includes:

- charges to customers or applicants for goods, services, privileges provided and fines or forfeitures,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund financial statements - provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major governmental funds:

The General Fund - is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation and Aviation Fund - accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation. The Department builds and maintains the State's highway system and the Grand Canyon airport.

The Land Endowments Fund - holds lands granted to the State by the Federal government for the benefit of public schools and other public institutions. Principal is maintained intact and investment earnings and lease revenues are distributed to beneficiaries in accordance with State statute.

The State reports the following major enterprise funds:

The Universities - account for transactions of the State's three universities, which comprise the State's university system.

The Unemployment Compensation Fund - pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

The Industrial Commission Fund – accounts for deposits not to exceed 1½% of all premiums received by the State Compensation Fund and private insurance carriers during the preceding calendar year. These monies are used to provide additional awards as necessary to enable injured employees to accept the benefits of any law for promotion of vocational rehabilitation of persons disabled in industry.

The Lottery Fund - accounts for the activities of the Arizona State Lottery.

Additionally, the state reports the following fund types:

Internal Service Funds - account for insurance coverage, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis.

Pension Trust Funds - account for the activities of the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Officials' Retirement Plan, and the Correction Officer Retirement Plan, for which the State acts as a trustee. These retirement plans accumulate resources to pay pension benefits of State employees and employees of other governmental entities participating in the plans.

Investment Trust Funds - account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as Trustee for the original deposits made into the investment pools.

Agency Funds - account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, where the State acts as an agent for distribution to other governments and organizations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, fiduciary fund and component units financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 31 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the State funds certain programs through a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The State's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis.

The State's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. CASH AND INVESTMENTS

Cash and cash equivalents – cash and cash equivalents include undeposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and other highly liquid debt instruments with an original maturity of ninety days or less. Cash and cash equivalents are reported as cash and investments in the accompanying financial statements.

Investments – investments are stated at fair value or amortized cost which approximates fair value, except for mortgages held by the State Compensation Fund, which are stated at amortized cost, and the Treasurer's Custodial Securities of the Agency Funds, which are reported at par value.

E. TAXES RECEIVABLE

Taxes receivable represent amounts owed by taxpayers for the 2001 and prior calendar years including assessments for underpayments, penalties and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred revenues.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2002. Sales and motor vehicle and fuel tax receivable represent amounts that are earned by the State in the fiscal period ended June 30, 2002, but not collected until the following month.

F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the Proprietary Funds and Universities. Inventories are stated at cost using the first-in, first-out method. In the Governmental Funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. PROPERTY TAX CALENDAR

Real property taxes are levied on or before the third Monday in August and become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien attaches on the first day of January preceding assessment and levy.

H. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the estimated fair market value at the date received. Interest incurred during the construction of capital assets is only capitalized in the proprietary funds.

Infrastructure, such as roads and bridges, is capitalized for the first time in fiscal year 2001-2002. Most capital assets are depreciated over their useful lives using the straight-line depreciation method. However, infrastructure assets constructed and maintained by the Arizona Department of Transportation will utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

Depreciable capital assets are depreciated on a straight-line basis. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets being depreciated in the government-wide financial statements and the proprietary funds are as follows.

	General State Policy		Other Authorized Agency Policies	
Asset Category	Capitalization Threshold	Estimated Useful Life (yrs)	Capitalization Threshold	Estimated Useful Life (yrs)
Land	All capitalized	Not depreciated	All capitalized	Not depreciated
Buildings	All capitalized	25-40	5,000-100,000	5-50
Improvements other than buildings	5,000	15	5,000	1-40
Equipment	5,000	3-15	0-5,000	3-25
Infrastructure	All capitalized	Not depreciated	5,000-100,000	10-100

The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value has not been reliably estimated. Accordingly, this land is not reported in the accompanying financial statements. A portion of the land that the State is trustee for has been sold and the buyers of the land have defaulted on the loans. The value of this land has been recorded at the sales price and properly included in the financial statements.

The State has interest in, and maintains significant special collections, works of art, and historical treasures. All special collections, works of art, and historical treasures which are held for financial gain, are capitalized at fair market value at the date of acquisition or donation. Those special collections, works of art, and historical treasures which are held for educational, research, or public exhibition purposes are not capitalized, as they are not subject to disposal for financial gain or encumbrance. Such items are inventoried for property control purposes.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 6, respectively.

I. INVESTMENT INCOME

Investment income is composed of interest, dividends, and net changes in fair value of applicable investments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in fund net assets. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the statement of revenues, expenses, and changes in fund net assets.

K. DEFERRED REVENUE

Deferred revenue consists of payments to the State for goods and services, not yet rendered, or taxes, grants, and other non-exchange transactions for which related resources are not available to pay current liabilities. In the government-wide and proprietary fund financial statements revenue is deferred when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements revenue is deferred when that revenue is unearned or unavailable.

L. COMPENSATED ABSENCES

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by GASB. In the governmental fund financial statements, liabilities for compensated absences are not accrued, because they are not considered “due and payable”.

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for University employees, an employee forfeits accumulated annual leave in excess of 240 hours at the end of a calendar year, unless the Director of the Department of Administration authorizes an exception. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State service is paid for all unused and unforfeited annual leave at the employee’s rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. Compensatory leave is treated like annual leave except that the employee must use any compensatory leave before using annual leave.

Sick leave includes any approved period of paid absence granted an employee due to illness, injury or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. Because sick leave benefits do not vest with employees, a liability for sick leave is not accrued in the financial statements. However, State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more, with a maximum of 1500 hours, upon retirement directly from State service (See Note 12.C)

M. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and certificates of participation are deferred and amortized over the life of the debt instrument using the straight-line method. Bonds and certificates of participation are reported net of the applicable premium or discount. Bond issuance costs are immaterial and are charged to expense in the period incurred.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, certificates of participation, and premiums and discounts on revenue bonds and certificates of participation as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 6.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

N. STATE COMPENSATION FUND

Significant accounting policies relating to the State Compensation Fund include:

1. Policyholders' Dividends

The Board of Directors of the State Compensation Fund makes provisions for dividends to policyholders based on the Fund's overall experience. Dividends are paid to policyholders that meet premium volume and loss experience criteria established by the Board. Dividends of $50.0 million were declared as of December 31, 2001.

2. Reinsurance

The State Compensation Fund is assigned certain policyholders that participate in the National Council on Compensation Insurance (NCCI) assigned risk pool. All premiums collected on such policies are ceded to NCCI. All losses incurred by the Fund on such policies are recoverable from NCCI. In addition, the Fund is assigned a pro rata allocation of the liability for loss and loss expenses incurred by all NCCI policyholders in the State. Losses of other policyholders in excess of specified amounts are recoverable from other reinsurers. Contracts with these reinsurers do not relieve the Fund of its obligation to policyholders.

NOTE 2. CASH AND INVESTMENTS

A. CASH AND INVESTMENT POLICIES

Cash and cash equivalents are under the control of the State Treasurer, the retirement systems or other administrative bodies. Arizona Revised Statutes §35-312, §35-313 and §35-314 authorize the Treasurer to invest operating, trust and permanent endowment fund monies. Therefore, surplus cash deposited with the State Treasurer by State agencies with a statutory authorization to invest and all General Fund monies are invested by the Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State Treasurer invests in short-term securities and other investments. Provisions of Arizona law restrict these investments to obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities.

The State Treasurer also invests in various mortgage-backed securities for seventeen of the twenty-two investment pools it manages. These securities are reported at fair value on the Statement of Fiduciary Net Assets. In addition, they are reported in aggregate, as U.S. Government securities. The securities are purchased to diversify the State's exposure to maturity and credit risks while providing for enhanced yields. The credit risk associated with holding these securities is reduced since all securities are rated AAA by Standard and Poor's and/or Moody's rating service. The market risk associated with holding these securities is linked to maturity risk in that as interest rates rise, the fair value of these securities will fall and prepayment of principal balances will decelerate. When interest rates fall, the fair value of these securities will rise and prepayment of principal balances will accelerate. The mortgage-backed securities are authorized under ARS §35-313.

Statutes enacted by the Legislature authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. This rule imposes the responsibility of making investments with the judgment and care that persons of ordinary prudence would exercise in the management of their own affairs when considering both the probable safety of their capital and the probable income from that capital. Within this broad framework, the retirement systems have chosen to invest in short-term securities and repurchase agreements, obligations of the U.S. Government and its agencies, corporate bonds, common and preferred stocks and mortgages. The Statutes also place certain restrictions on the investment fund portfolios of the retirement systems.

Investments maintained by the State Treasurer are reported at fair value based upon an independent outside pricing service. Investments with a maturity of 91 days or more and all investments with a maturity of 90 days or less that were held at the beginning of the current fiscal year end, not valued by the pricing service, are valued using a market price solicited from the selling broker or a second outside pricing service. All investments with a remaining maturity of 90 days or less, that have no

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

available market price, and were not held at the beginning of the current fiscal year, are valued using amortized cost. If different amortized cost values exist, the weighted average amortized cost is given to like investments.

The State Treasurer also maintains external investment pools [(the Local Government Investment Pool (LGIP) and Local Government Investment Pool-Government)] with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed. Before the end of the fiscal year, the Central Arizona Water Conservation District (CAWCD) transferred all of their money from Pool 3 (State Agencies Investment Pool) to Pool 5 (LGIP). CAWCD was the only external reporting entity that was invested in Pool 3. As a result of this transfer, there are no "external" balances at year-end in Pool 3.

The State Treasurer makes investments only in external investment pools that are registered with the Securities and Exchange Commission. The State Treasurer is not an involuntary participant in another entity's external investment pool.

The State Treasurer is not aware of any involuntary participation of local governments in the State's external investment pools. Participants meeting the criteria established under ARS §35-316 are eligible to participate in the pools and are not required to disclose the reason for requesting the account.

The investments of the State Treasurer's Custodial Securities, an Agency Fund, are recorded at par value. The investments are held by the State Treasurer for state agencies that perform a business compliance function. The investments of the Arizona Exposition and State Fair are reported at the fair value.

The Arizona State Retirement System investments are reported at fair value and cost. Investments, other than real estate and commercial mortgages, are reported at fair values determined by the custodial agents. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Commercial mortgages have been valued on an amortized cost basis, which approximates fair value. Short-term investments are reported at cost plus accrued interest which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

The Public Safety Personnel, Elected Officials' and Corrections Officer Retirement Systems investments are reported at fair value and cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by an outside pricing service. Investments that do not have an established market are reported at estimated fair value.

The investments of the Universities are reported at fair value. Fair value is determined from quoted market prices. Non-participating interest bearing contracts are valued at cost.

The University Medical Center's short-term investments are reported at cost, which approximates fair value. Long-term investments are reported at fair value as determined by quoted market prices.

The investments of the Arizona Power Authority are reported at amortized cost, which approximates fair value.

The investments of the Water Infrastructure Finance Authority in Guaranteed Investment Contracts are stated at cost, since they are non-participating contracts. The other investments are stated at fair value, which approximates cost.

The investments of the State Compensation Fund in bonds, certificates of participation and equity securities are reported at fair value. Investments in mortgages are reported at amortized cost.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

B. UNEMPLOYMENT COMPENSATION

ARS §23-703 requires that unemployment compensation contributions from Arizona employers be deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States that is established and maintained pursuant to Section 1104 of the Social Security Act. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major proprietary fund, has been established for this purpose.

C. COLLATERAL AND INSURANCE

The State requires that deposits and investments with financial institutions be entirely covered by Federal depository insurance or, alternatively, collateralized with surety equal to at least 100% (102% for the Treasurer) of the deposits so collateralized. Cash deposited with banks is collateralized based on bank balances. Surety collateralized includes U.S. Government obligations, State obligations, obligations of counties and municipalities within the State, and certain other securities.

D. DEPOSITS COLLATERALIZATION

At June 30, 2002, the carrying amount of the State's deposits for the Primary Government was $114.809 million, $82.651million for Fiduciary funds, and $6.669 million for the Component Units. At June 30, 2002, the bank balance was $188.176 million for the Primary Government, $83.573 million for Fiduciary funds, and $6.669 million for the Component Units. For the Primary Government bank balances, $945 thousand was collateralized by Federal depository insurance. Of the remaining balance, $173.124 million was collateralized by securities held by the bank's trust division or agent in the State's name in book-entry form, and $14.107 million was either not collateralized or was collateralized with securities held in the bank's custodial account with the Federal Reserve in the bank's name in book-entry form. For the Fiduciary funds, $8.923 million was collateralized by Federal depository insurance. Of the remaining balance, $35.507 million was collateralized by securities held by the bank's trust division or agent in the State's name in book-entry form, and $39.143 million was either not collateralized or was collateralized with securities held in the bank's custodial account with the Federal Reserve in the bank's name in book-entry form. For the Component Units bank balances, $6.669 million was either not collateralized or was collateralized with securities held in the bank's custodial account with the Federal Reserve in the bank's name in book-entry form.

E. INVESTMENTS CUSTODIAL RISK

The following tables summarize the credit risk of the State's investments (expressed in thousands). Category A includes investments that are insured or registered, or for which securities are held by the State or the State's agent in the State's name. Category B includes uninsured and unregistered investments for which securities are held by the counterparty's agent or trust department in the State's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty, or by its agent or trust department but not in the State's name.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Primary Government

Type of Deposit or Investment	Category A	Category B	Category C	Reported Amount
U.S. Government securities	$ 1,182,262	$ 14,746	$ 199,569	$ 1,396,577
Repurchase agreements	332,503	-	-	332,503
Corporate stocks	461,705	-	-	461,705
Corporate debt	2,045,143	-	-	2,045,143
State and local government securities	171,495	-	-	171,495
Other investments	7,687	-	112,658	120,345
Subtotal	$ 4,200,795	$ 14,746	$ 312,227	4,527,768
Investments Not Subject to Custodial Risk:				
Guaranteed Investment Contracts				7,396
Money Market Mutual Funds				204,588
Mutual Funds-Benchmark Portfolio				8,482
Mortgages				1,190
Joint Venture				14,000
Collateral Investment Pool				134,945
Investments held by brokers/dealers under Security Loan Program:				
U.S. Government securities				95,469
Corporate stocks				22,146
Corporate debt				14,854
United States Treasury Pooled Investment				1,033,276
Repurchase agreements				7,631
Total Investments				6,071,745
Deposits				114,809
Total Cash and Investments				$ 6,186,554

Fiduciary Funds

Type of Deposit or Investment	Category A	Category B	Category C	Reported Amount
US Government Securities	$ 5,223,420	$ -	$ -	$ 5,223,420
Corporate stocks	12,111,038	2,873,498	-	14,984,536
Corporate debt	5,895,812	-	-	5,895,812
State and local government securities	489,866	-	-	489,866
Repurchase agreements	18,790	-	-	18,790
Other investments	164,396	18,752	449	183,597
Subtotal	$ 23,903,322	$ 2,892,250	$ 449	26,796,021
Investments Not Subject to Custodial Risk:				
Other investment-not categorized				228,900
Short-Term Investment Fund				2,285,988
Real estate				30,213
Collateral Investment Pool				1,281,416
Investments held by brokers/dealers under Security loan program:				
U.S. Government securities				1,778,217
Corporate stocks				837,930
Corporate debt				370,606
Repurchase agreements				9,395
Total Investments				33,618,686
Deposits				82,651
Total Cash and Investments				$ 33,701,337

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Component Units				
	Category			Reported
Type of Deposit or Investment	A	B	C	Amount
U.S. Government securities	$ 802,195	$ -	$ 2,695	$ 804,890
Corporate stocks	171,606	15,230	-	186,836
Corporate debt	775,192	1,198	-	776,390
State and local government securities	238,893	1,722	-	240,615
Repurchase agreements	11,017	-	-	11,017
Other investments	652	37,916	76,746	115,314
Subtotal	$ 1,999,555	$ 56,066	$ 79,441	2,135,062
Investments Not Subject to Custodial Risk:				
Mortgages				150,725
Guaranteed Investment Contract				77,680
Collateral Investment Pool				193,027
Investments held by brokers/dealers Under Security Loan Program:				
U.S. Government securities				162,373
Corporate stocks				27,359
Repurchase agreements				232
Total Investments				2,746,458
Deposits				6,669
Total Cash and Investments				$ 2,753,127

At June 30, 2002, the State had no commitments to resell securities under yield maintenance agreements.

During the year ended June 30, 2002, the State did not make significant investments in types of investments beyond those enumerated in the preceding tables.

F. SECURITIES LENDING

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

1. State Treasurer

The State Treasurer (Treasurer) is permitted by Title 35, Chapter 2, Article 2 of the Arizona Revised Statutes to enter into securities lending transactions. The custodial bank, Credit Suisse First Boston (CSFB), manages the securities lending transactions through a contractual agreement with the Treasurer. CSFB enters into securities lending contracts only from an approved list of borrowers provided by the Treasurer. There was no credit risk (i.e., lender's exposure to the borrowers of its securities related to the securities lending transactions at June 30, 2002). As of June 30, 2002, the amounts owed by the Treasurer exceeded the amounts owed by the borrowers. During the fiscal year ended June 30, 2002, there were no violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. U.S. Government bonds and domestic equities are loaned for cash as collateral and there are no restrictions on the amount of loans that can be made. The treasurer requires at least 102% of the market value of the loaned securities on the date of the loan, and no less than 100% for the duration of the loan. The Treasurer does not have the ability to pledge or sell collateral securities unless the borrower defaults. Additionally, CSFB provides indemnification to the extent of borrower default. The fair value at June 30, 2002, for loaned securities collateralized by cash was $17.17 million. As part of the securities lending transactions, CSFB received cash collateral valued at $17.96 million. Investments are held by CSFB in the Treasurer's name.

The maturities of investments match the maturities of securities on loan. On June 30, 2002, both the cash collateral reinvestment and the term of all loans outstanding were one day. During the same period, there were no losses on securities lending transactions resulting from borrower or lending agent default. Investments made with cash collateral received are classified as an asset at fair value on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the Treasurer must return the

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

cash collateral to the borrower upon expiration of the loan. At June 30, 2002, the Treasurer had $17.96 million outstanding as payable for securities lending.

2. Industrial Commission

State statutes and Industrial Commission (the Commission) policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, Northern Trust, manages the securities lending operations through a contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e. lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2002. Northern Trust's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105% of the market value of securities loaned plus accrued interest. The market value at June 30, 2002 for loaned securities collateralized by cash and non-cash collateral was $32.352 million and $3.599 million, respectively. As part of the securities lending transactions, Northern Trust received cash and non-cash collateral valued at $33.215 million and $3.681 million, respectively at June 30, 2002. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral received on the securities lent.

All securities loans can be terminated on demand by either the lender or the borrower. The average terms of the loans are 97 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an average weighted maturity of 30 days as of June 30, 2002. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. Cash open loans can be terminated on demand by either lender or borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2002, the Commission had $33.215 million outstanding as payable for securities lending.

3. Arizona State Retirement System

The Arizona State Retirement System (ASRS) is permitted by Arizona Revised Statutes §38-715(D)(3), to enter into securities lending transactions. The ASRS enters into agreements with brokers to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S equities, international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. It is the policy of the ASRS to receive as collateral at least 102% of the market value of the loaned securities and maintain collateral at no less than 100% for the duration of the loan. At year-end, the ASRS has no credit risk exposure to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. During fiscal year 1998, statutes were amended to allow for other than cash collateral. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. Any cash collateral received is invested in short-term investments. The ASRS receives a spread for its lending activities. Investments made with cash collateral received are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2002, the ASRS had $1.674 billion outstanding as payable for securities on loan.

Due to the flow of securities to and from transfer agents and the security loan program, securities occasionally cannot be delivered for a sale or received for a purchase, resulting in a "failed" transaction. Securities with trade dates in June and settlement dates in

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

July result in "outstanding" transactions. Since these securities have contractually changed ownership, receivables and payables result from these transactions. Such transactions resulted in a receivable for securities sold of $188.868 million and a payable for securities purchased of $455.270 million at June 30, 2002.

4. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan and Corrections Officer Retirement Plan

The Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP) are permitted by Title 38, Chapter 5, Articles 3, 4, and 6 of the Arizona Revised Statutes to enter into securities lending transactions. The PSPRS, EORP and CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, EORP and CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, EORP and CORP require collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2002, the fair value of securities on loan were (expressed in millions):

PSPRS	$ 995,802
EORP	81,493
CORP	168,900

The PSPRS, EORP and CORP receive a negotiated fee for their loan activities and are indemnified for broker default by the securities lending agent. The PSPRS, EORP and CORP participate in a collateral investment pool. All security loans can be terminated on demand by either the pool participants or the borrower. All term loans have a matched collateral investment. The total cash collateral received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum average maturity, using the reset date as the maturity date, of not more than 45 days. And, at least 20% of total collateral investments must be invested on an overnight basis and at least 30% of total collateral investments must be invested with a maturity of 7 days or less. Additionally, no more than 20% of the total collateral investments will be invested in instruments maturing in over 91 days. In lending securities, investments of cash collateral for open loans as of June 30, 2002 are not matched in maturity and have a weighted average maturity of 17 days. The Systems have no credit risk because the amounts owed to borrowers exceed the amounts borrowers owe to the Systems. Under this program, the Systems have not experienced any defaults or losses on these loans.

5. State Compensation Fund

The State Compensation Fund (the Fund) participates in a securities lending program in which securities are loaned to approved brokers/dealers for specified periods of time. All securities on loan are collateralized by cash or cash equivalents of at least 102% of their fair market value. The collateral is maintained by the Fund's investment trustee who is not a party to the security lending agreement. The Fund has invested securities on loan with a market value of approximately $189.732 million and a book value of $175.350 million at December 31, 2001. The collateral held and the corresponding obligation for its return have been recorded in short-term investments and liabilities, respectively.

6. University of Arizona

During the fiscal year, the University engaged in securities lending transactions. The University entered into an agreement with Wells Fargo, the University's custodian, to carry out these transactions. The custodian enters into agreements with brokers to loan securities and have the same securities returned at a later date. It is the policy of the University to receive as collateral at least 102% of the market value of the loaned securities and accrued interest, and maintain collateral at no less than 100% for the duration of the loan. At year-end, the University has no credit risk to borrowers because the University was holding more collateral than the amount of loaned securities outstanding.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The University records the collateral received as an asset, which is offset by an obligation recorded under securities lending. During the fiscal year ended June 30, 2002, there were no violations of legal or contractual provisions, and there were no borrower or lending agent default losses. Wells Fargo does not indemnify the University to the extent of borrower defaults. Collateral can be received in the form of U.S. Government securities, letters of credit, or cash. As of June 30, 2002, the custodian has received only cash and letter of credit collateral. Cash collateral received from the borrowers is invested in a short-term cash collateral investment pool, which, on average, has a weighted maturity of 55 days. The relationship between the maturities of the cash collateral investment pool and the University's loans is affected by the maturities of the securities loans made by other entities that use the custodian's pool, which the University cannot determine. This pool consists of investments in domestic and foreign bank obligations, commercial paper and participations, mortgage backed and pass-through securities, corporate notes, bonds, debentures, and tri-party repurchase agreements. At June 30, 2002, cash collateral investments totaled $101.730 million with a corresponding market value of securities on loan of $100.117 million. Securities lent for cash collateral included corporate stocks, corporate bonds, government notes, and government bonds. The University or the borrower can terminate all securities loans on demand. The University cannot sell or pledge securities received as collateral unless the borrower defaults. The University earns a negotiated fee for participating in loan activities.

G. DERIVATIVES

Derivatives are financial instruments (securities or contracts) whose value is dependent on reference rates or indices such as stock or bond prices, interest rates or currency exchange rates. ASRS internal investment managers use derivatives to hedge currency risk, reduce transaction costs, obtain market exposure, and enhance returns.

The principal categories of derivatives employed and their uses during the year were as follows:

Category	Purpose
Foreign exchange forward contracts	Hedge currency risk of investment denominated in foreign currencies.
Futures	Reduce transaction costs; obtain market exposure; enhance returns.
SWAPS	Interest rate risk management; enhance returns.

Generally, derivatives are subject to both market risk and counterparty risk. The derivatives utilized by ASRS internal investment managers typically have no greater market risk than their physical counterparts, and in many cases are offset by exposure elsewhere in the portfolio.

The ASRS believes that it is unlikely that any of the derivatives used by its internal investment managers could have a material adverse effect on the financial conditions of the System.

H. CUSTODIAL SECURITIES

In accordance with Arizona Revised Statutes, various State agencies deposit securities with the Treasurer for safekeeping. The State agencies have securities in safekeeping with the Treasurer in the form of U.S. government and agency securities, certificates of deposit, municipal and corporate bonds, and surety bonds at June 30, 2002.

NOTE 2. CASH AND INVESTMENTS (CONCLUDED)

I. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues a separately published Annual Financial Report. The report provides additional information relating to the State Treasurer's total investing activities and the internal and external participants of the Investment Trust Funds. The Investment Trust Funds report on the activities of the Local Government Investment Pools and Central Arizona Water Conservation District Investment Account. A copy of the State Treasurer's Office Annual Financial Report can be obtained from their office at:

State Treasurer's Office
1700 W. Washington
Phoenix, Arizona 85007-2812

The Treasurer's financial statements are audited by the Office of the Auditor General.

J. AUDITED FINANCIAL STATEMENTS

The four State pension plans and certain State agencies, commissions and authorities are audited by independent public accountants. Copies of these audits, as well as audits performed by the State Auditor General, are available from the State Library, Archives and Public Records.

NOTE 3. RECEIVABLES/DEFERRED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2002 (expressed in thousands). These amounts include $99.766 million for underpayments, penalties, and interest:

Type of Tax	General Fund	Transportation & Aviation Fund	Unemployment Compensation Fund	Non-Major Funds	Government Wide Total
Sales	$ 245,851	$ -	$ -	$ 1,375	$ 247,226
Income – individual and corporate	221,598	-	-	-	221,598
Insurance premium	28,790	-	-	-	28,790
Motor vehicle and fuel	-	102,619	-	-	102,619
Luxury	5,074	-	-	4,959	10,033
Unemployment	-	-	38,069	-	38,069
Gross taxes receivable	501,313	102,619	38,069	6,334	648,335
Allowance for uncollectible taxes	(107,475)	-	-	-	(107,475)
Net Taxes Receivable	$ 393,838	$ 102,619	$ 38,069	$ 6,334	$ 540,860

NOTE 3. RECEIVABLES/DEFERRED REVENUE (CONCLUDED)

B. DEFERRED REVENUE

At June 30, 2002, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

	Unavailable	Unearned	Total Deferred Revenue
Current Deferred Revenue for Governmental Funds:			
General Fund:			
Delinquent sales tax	$ 46,755	$ -	$ 46,755
Delinquent income tax	58,188	-	58,188
Advance insurance premiums	-	1,468	1,468
Advance land lease payments	-	7,460	7,460
Food stamps	-	100	100
Vaccine & commodity food supplement	-	7,023	7,023
Transportation and Aviation Fund:			
Notes receivable for real estate mortgage loans	11,571	-	11,571
Land Endowments Fund:			
Land sales receivable	213,186	-	213,186
Advance land sales payments	-	1,430	1,430
Advance land lease payments	-	1,198	1,198
Non-Major Funds:			
Public assistance overpayments	1,646	-	1,646
Other	-	564	564
Total current deferred revenue for governmental funds	331,346	19,243	350,589
Non-current Deferred Revenue for Governmental Funds			
Land Endowments Fund:			
Advance land lease payments	-	9,822	9,822
Total current and non-current deferred revenue for governmental funds	$ 331,346	$ 29,065	$ 360,411

	Unearned
Current Deferred Revenue for Proprietary Funds:	
Universities:	
Unexpended cash advances received for sponsored programs	$ 35,600
Auxiliary sales and services	6,262
IBM lease related to acquisition of research park	4,900
Student tuition and fees	36,533
Other deferred revenue	830
Deposits	1,517
Non-Major Funds:	
Policyholders' advance premiums	2,841
Magazine subscriptions	4,411
Total current deferred revenue for proprietary funds	$ 92,894
Non-current Deferred Revenue for Proprietary Funds:	
Universities:	
IBM lease related to acquisition of research park	$ 54,371
Total non-current deferred revenue for proprietary funds	$ 54,371
Current Deferred Revenue for Component Units:	
State Compensation Fund:	
Policyholders' advance premiums	$ 44,505
Water Infrastructure Finance Authority:	
Unearned loan revenue	1,509
Total current deferred revenue for component units	$ 46,014

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2002 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,648,859	$ 665,054	$ (490,709)	$ (8,496)	$ 1,814,708
Construction in progress	1,193,368	830,071	(349,517)	2,597	1,676,519
Infrastructure	7,190,405	280,656	(7,165)	-	7,463,896
Total capital assets, not being depreciated	10,032,632	1,775,781	(847,391)	(5,899)	10,955,123
Capital assets being depreciated:					
Buildings	906,259	26,134	(2,628)	134,172	1,063,937
Improvements other than buildings	112,071	2,676	(10,165)	11,255	115,837
Equipment	517,941	51,566	(35,330)	51,884	586,061
Infrastructure	-	4,643	-	-	4,643
Total capital assets, being depreciated	1,536,271	85,019	(48,123)	197,311	1,770,478
Less accumulated depreciation for:					
Buildings	(261,638)	(27,222)	243	(38,498)	(327,115)
Improvements other than buildings	(46,430)	(12,368)	-	7,292	(51,506)
Equipment	(347,637)	(64,783)	21,719	(13,644)	(404,345)
Infrastructure	(1,414)	(102)	-	-	(1,516)
Total accumulated depreciation	(657,119)	(104,475)	21,962	(44,850)	(784,482)
Total capital assets, being depreciated, net	879,152	(19,456)	(26,161)	152,461	985,996
Governmental activities capital assets, net	$ 10,911,784	$ 1,756,325	$ (873,552)	$ 146,562	$ 11,941,119

	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 137,191	$ 780	$ (520)	$ (3,928)	$ 133,523
Construction in progress	126,414	91,221	(119,063)	-	98,572
Collections	15,791	1,049	(4,542)	-	12,298
Total capital assets, not being depreciated	279,396	93,050	(124,125)	(3,928)	244,393
Capital assets being depreciated:					
Buildings	1,982,264	147,763	(29,233)	(12)	2,100,782
Improvements other than buildings	36,354	784	-	(218)	36,920
Equipment	1,032,550	127,884	(21,652)	(2,671)	1,136,111
Infrastructure	151,931	58,359	-	3,011	213,301
Total capital assets, being depreciated	3,203,099	334,790	(50,885)	110	3,487,114
Less accumulated depreciation for:					
Buildings	(760,603)	(60,462)	9,837	6,232	(804,996)
Improvements other than buildings	(16,867)	(1,206)	-	-	(18,073)
Equipment	(690,601)	(82,633)	29,898	961	(742,375)
Infrastructure	(57,547)	(9,156)	-	(6,597)	(73,300)
Total accumulated depreciation	(1,525,618)	(153,457)	39,735	596	(1,638,744)
Total capital assets, being depreciated, net	1,677,481	181,333	(11,150)	706	1,848,370
Business-type activities capital assets, net	$ 1,956,877	$ 274,383	$ (135,275)	$ (3,222)	$ 2,092,763

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows (expressed in thousands):

General government	$	21,874
Health & welfare		15,531
Inspection & regulation		2,240
Education		1,050
Protection & safety		29,829
Transportation		15,784
Natural resources		18,167
Total governmental activities	$	104,475

Depreciation expense was charged to business-type activities as follows (expressed in thousands):

Arizona Lottery	$	305
Industrial Commission		714
Universities		149,493
Non-major Funds		2,945
Total business-type activities	$	153,457

Discretely presented component units capital asset activities for the fiscal year ended June 30, 2002 were as follows (expressed in thousands):

	Component Units			
	Beginning Balance	**Additions**	**Retirements**	**Ending Balance**
Component Units:				
Capital assets, not being depreciated:				
Land	$ 9,558	$ 194	$ (43)	$ 9,709
Construction in progress	4,381	6,561	(5,799)	5,143
Total capital assets, not being depreciated	13,939	6,755	(5,842)	14,852
Capital assets being depreciated:				
Buildings	176,038	2,209	(197)	178,050
Improvements other than buildings	6,108	1,666	(1,393)	6,381
Equipment	138,287	8,233	(932)	145,588
Total capital assets, being depreciated	320,433	12,108	(2,522)	330,019
Less accumulated depreciation for:				
Buildings	(77,041)	(6,368)	107	(83,302)
Improvements other than buildings	(3,461)	(478)	59	(3,880)
Equipment	(112,868)	(13,226)	1,549	(124,545)
Total accumulated depreciation	(193,370)	(20,072)	1,715	(211,727)
Total capital assets, being depreciated, net	127,063	(7,964)	(807)	118,292
Component Units capital assets, net	$ 141,002	$ (1,209)	$ (6,649)	$ 133,144

NOTE 4. CAPITAL ASSETS (CONCLUDED)

Depreciation expense was charged to component units as follows (expressed in thousands):

University Medical Center	$	17,825
Arizona Power Authority		29
State Compensation Fund		2,218
Total component units	$	20,072

NOTE 5. RETIREMENT PLANS

The State contributes to the four plans described below. The four plans are considered part of the State's financial reporting entity and are included in the State's financial statements as Pension Trust Funds.

A. PLAN DESCRIPTIONS

The State participates in the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP). Benefits are established by state statutes and provide retirement, death, long-term disability, survivor and health insurance premium benefits to State employees, public school employees and employees of counties, municipalities and certain other State political subdivisions.

The **ASRS** is a cost-sharing, multiple-employer defined benefit pension plan that benefits employees of the State, its political subdivisions and public schools. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2.

The **PSPRS** is an agent, multiple-employer defined benefit pension plan that benefits fire fighters and police officers employed by the State or certain local governments. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and 185 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4.

The **EORP** is a cost-sharing, multiple-employer defined benefit pension plan that benefits all elected State and county officials and judges and certain elected city officials. The EORP is governed by the Fund Manager of the PSPRS according to the provisions of ARS Title 38, Chapter 5, Article 3.

The **CORP** is an agent, multiple-employer defined benefit pension plan that benefits town, city and county detention officers and certain employees of the Arizona Department of Corrections and the Arizona Department of Juvenile Corrections. The CORP is governed by the Fund Manager of the PSPRS and 11 local boards according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

Arizona State Retirement System
3300 North Central Avenue
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan or the Corrections Officer Retirement Plan
1020 East Missouri Avenue
Phoenix, Arizona 85014
(602) 255-5575

NOTE 5. RETIREMENT PLANS (CONTINUED)

The number of participating government employers as of June 30, 2002, are shown below:

Employer	ASRS	PSPRS	EORP	CORP
Cities and towns	65	118	16	-
Counties and county agencies	14	21	15	10
State	1	1	1	1
Special districts	59	45	-	-
School districts	226	-	-	-
Charter schools	138	-	-	-
Community college districts	10	-	-	-

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As part of the Pension Trust Funds, the financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

For the ASRS, investments are reported at fair value and at cost. Security transactions and any resulting gains or losses are accounted for on a trade-date basis. Investments, other than real estate and commercial mortgages, are reported at fair values determined by the custodial agents. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Commercial mortgages have been valued on an amortized cost basis, which approximates fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible.

Short-term investments are reported at cost, which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment degree of risk. Net investment income includes net decrease in fair value of investments, interest income, dividend income and total investment expense, which includes investment management and custodial fees and all other significant investment related costs.

For the PSPRS, EORP and the CORP, investments are reported at fair value and at cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

C. INVESTMENT RESTRICTIONS

Statutes enacted by the Arizona State Legislature restrict the four retirement plans from investing more than five percent of each plan's total assets in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of or fully guaranteed by the U.S. Government. As of June 30, 2002, the four retirement plans are in compliance with the state statutes.

D. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the Arizona Revised Statutes. These contribution requirements may be amended by the Arizona State Legislature.

NOTE 5. RETIREMENT PLANS (CONTINUED)

Cost-sharing plans – For the year ended June 30, 2002, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.0 percent retirement and 0.49 percent long-term disability) of the members' annual payroll. The State's contributions to ASRS for the years ended June 30, 2002, 2001 and 2000 were $36.605, $36.832, and $35.147 million, respectively, for the primary government and $565, $298, and $617 thousand, respectively, for the component units, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 6.97 percent of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2002, 2001 and 2000 were $77, $183, and $184 thousand, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2002, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 3.31 – 16.27 percent. Active CORP members were required by statute to contribute 8.50 percent of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 4.01 - 5.08 percent.

E. ANNUAL PENSION COST

The State's annual pension cost and related actuarial data for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2002, is as follows (expressed in thousands):

	PSPRS	CORP
Contribution rates:		
State	3.31% - 16.27%	4.01% - 5.08%
Plan members	7.65%	8.50%
Annual pension cost	$4,799	$5,775
Contributions made	$4,799	$5,775
Actuarial valuation date	6/30/00	6/30/00
Actuarial cost method	entry age	entry age
Actuarial assumptions:		
Investment rate of return	9%	9%
Projected salary increases	6.5% - 9.5%	6.5% - 9.5%
includes inflation at	5.5%	5.5%
Cost-of-living adjustments	none	none
Amortization method	level percent open	level percent open
Remaining amortization	20 years	20 years
Asset valuation method	4 year smoothed market value	4 year smoothed market value

NOTE 5. RETIREMENT PLANS (CONTINUED)

F. TREND INFORMATION

Information for each of the agent, multiple-employer defined benefit plans as of the most recent actuarial valuations is as follows (expressed in thousands):

Contributions Required and Contributions Made

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	6/30/02	$ 4,799	100%	$ 0
	6/30/01	4,510	100%	0
	6/30/00	4,106	100%	0
CORP	6/30/02	5,775	100%	0
	6/30/01	14,209	100%	0
	6/30/00	13,840	100%	0

G. UNIVERSITIES' DEFINED CONTRIBUTION PLANS

Faculty, academic professional and administrative officers at the three universities (Arizona State University, Northern Arizona University, and University of Arizona) may select one of six retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), Aetna Life Insurance and Annuity Company (Aetna), The Vanguard Group (Vanguard) or the Arizona State Retirement System (ASRS). The ASRS is a defined benefit plan (described above) and the other five plans are defined contribution plans. The five defined contribution plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. In addition, University of Arizona employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. Eligible classified staff belong to the Arizona State Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2002, plan members and the three Universities were each required by statute to contribute an amount equal to seven percent of an employee's compensation, except for a 7.06 percent contribution for the ASRS plan.

Contributions to these plans for the year ended June 30, 2002, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	$ 23,015	$ 23,015	$ 46,030
VALIC	2,951	2,951	5,902
Fidelity	3,685	3,685	7,370
Aetna	1,186	1,186	2,372
Vanguard	719	719	1,438
ASRS	161	159	320

NOTE 5. RETIREMENT PLANS (CONCLUDED)

H. UNIVERSITY MEDICAL CENTER DEFINED CONTRIBUTION PLAN

The University Medical Center (UMC) has an Employee Pension Plan (the Plan) for its employees. The Plan is a defined contribution plan covering all UMC employees who are subject to minimum employment requirements, as defined in the Plan Agreement. The UMC makes contributions to the Plan in amounts equal to (a) 5.5 percent of total compensation plus (b) 5.4 percent of compensation in excess of 80 percent of the FICA wage base. Such contributions are allocated to each participant as defined in the Plan Agreement. Retirement plan expense, net of participant forfeitures, was approximately $4.44 million for the year ended June 30, 2002.

I. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described, the ASRS offers the Retiree Group Insurance Program and the Health Insurance Premium Benefit Program to eligible retired and disabled members. A retired member is defined as a member actively receiving an annuity benefit and a disabled member is defined as a member receiving a Long-Term Disability ("LTD") benefit through the LTD program administered by the ASRS or through their former member employer's group LTD plan.

Pursuant to A.R.S. 38-782, the Retiree Group Insurance Program makes available group health insurance coverage to eligible retired and disabled members and their dependents. Retired and disabled members of the ASRS, the Public Safety Personnel Retirement System, the Elected Officials Retirement Plan, and the Corrections Officer Retirement Plan may participate if they are no longer eligible for health insurance benefits through their former employer. More than 38,000 coverage agreements currently exist for retired and disabled members and their dependents.

Pursuant to A.R.S. 38-783, retired and disabled members with at least five years of credited service are eligible to participate in the Health Insurance Premium Benefit (subsidy) Program. This assistance is provided to those members that elect group coverage through either the Retiree Group Insurance Program or their former member employer. The maximum amount of the monthly available benefit for eligible members and their dependents ranges from $50 to $600. The ASRS reimbursed approximately $76.0 million and $40.5 million towards the cost of group health insurance coverage for the years ended June 30, 2002 and June 30, 2001, respectively.

NOTE 6. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Arizona Department of Transportation

The Arizona Department of Transportation (ADOT) issued Senior and Subordinated Highway Revenue Bonds to provide funds for acquisition of right-of-way and construction of federal, state and local highways. The original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $700.280 million. During the year, Highway Revenue Bonds totaling $150.240 million were issued to (i) finance portions of the Transportation Board's Five Year Transportation Facilities Construction Program, (ii) pay costs of issuing the Bonds, and (iii) refund in advance of maturity portions of ADOT's outstanding Senior and Subordinated Bonds in the aggregate principal amount of $71 million.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes of the General Fund. Arizona Revised Statutes prohibit the total principal amount of Arizona Highway Revenue Bonds, excluding refunded bonds, from exceeding $1.3 billion.

The Maricopa County Regional Area Road Bond Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $700.335 million. During the year, Transportation Excise Tax Revenue Bonds totaling $66.010 million were issued to (i) finance the acquisition of land and the design and construction of certain controlled access highways within Maricopa County, Arizona and (ii) pay costs of issuing the Bonds.

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

The Bond Resolution adopted by the Transportation Board on July 25, 1986 established a debt service reserve requirement equal to the maximum annual interest due in the current year or future years on any series of outstanding Transportation Excise Tax Revenue Bonds. The Second Supplemental Transaction Exercise Revenue Bond Resolution adopted by the Board on September 22, 1988, gives the Board the option, which it has elected, of acquiring debt service reserve insurance policies in lieu of the debt service reserve requirement. Accordingly, no debt service reserve is reported in the accompanying financial statements. The policies (aggregating $70.064 million at June 30, 2002) were issued by Financial Guaranty Insurance Company, except for the 1993 Series Subordinated Bonds policies, which were issued by MBIA Insurance Corporation, and the 1995 Series A and Series B Subordinated Bonds policies, which were issued by AMBAC Assurance Corporation. These policies are noncancelable and insure payment, up to the policy amount, of the bond interest on their respective payment dates. The policies shall terminate on the earlier of July 1, 2005, or the date when no respective bonds are outstanding under the bond resolution. The premiums on these insurance policies are recorded as expenditures in the year of payment.

The carrying basis of the 1988 Series A Capital Appreciation Bonds increases as a result of accretion of the original issuance discount. At June 30, 2002, the carrying basis was $ 45.410 million. At maturity on July 1, 2005, the carrying basis will equal the maturity amount of $51.5 million.

In prior years ($61.346 million) and fiscal year 2002 ($71 million), the ADOT refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the ADOT at June 30, 2002 totaled $132.346 million.

The ADOT advance refunded the Highway Revenue Subordinated Series 1992B bonds ($6.870 million) and Senior Series 1999 Bonds ($64.130 million) to reduce its total debt service payments by $2.821 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2.473 million.

2. School Facilities Board

On December 20, 2001, the Arizona School Facilities Board issued $6.350 million in State School Improvement Revenue Bonds, Series 2001A (Qualified Zone Academy Bonds) to fund eligible school projects. It is estimated that at least 95% of the funds will be used for the purpose of renovating, rehabilitating, and equipping of school facilities within Federal Empowerment Zones, Enterprise Zones, or schools where 35% or more students are eligible for Free and Reduced Price Meals.

The Series 2001A Bonds are due in December 2002 through December 2006. The Series 2001A Bonds do not carry interest, but eligible bondholders are entitled to a credit against their Federal income tax equal to the product of the outstanding principal amount of the Series 2001A Bonds on said date multiplied by the credit rate as of the date of issuance of the Series 2001A Bonds.

Business Type Activities

3. Universities

a. University of Arizona

The University's bonded debt consists of various issues of system revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities and infrastructure. Bond proceeds are also used for refunding obligations from previously issued bonds. Principal and interest on bonds are secured by a pledge of tuition, fees, rentals, and other charges.

On February 6, 2002, the University sold System Revenue Refunding Bonds Series 2002 for $93.080 million dated March 1, 2002, with interest rates ranging from 3% to 5.25% and maturity dates ranging from 2003 to 2011. The bonds are not subject to redemption prior to their stated maturity. The Series 2002 bonds were sold at a premium of $4.692 million. The University realized net proceeds of $97.135 million after payment of $637 thousand for issuance costs, underwriter discounts

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

and bond insurance. The net proceeds were used to pay off higher interest rate System Revenue Bonds Series 1992, with an outstanding principal balance of $92.750 million. The Series 1992 bonds were called June 1, 2002. The current refunding decreased the University's total debt service requirements by $7.971 million and the University received an economic gain of $7.930 million (difference between the present values of the old debt and new debt service payments). The refunded debt is defeased and is not included in the accompanying financial statements.

Restricted cash and investments are held in trust for capital projects by various commercial banks. $2.655 million is held for debt requirements and $104.274 million is available for future construction costs. Trust funds are invested by the trustee in accordance with the Board's authorizing resolutions.

In fiscal year 1998, the University refunded, in advance of maturity, a portion of outstanding system revenue bonds Series 1994. At June 30, 2002, the outstanding principal balance of the refunded bonds was $15.740 million, which will be paid by investments held in trust with a carrying value of $17.287 million. These amounts are not included in the accompanying financial statements.

b. Northern Arizona University

The University's bonded debt consists of various issues of student housing and system revenue bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring, constructing or renovating of capital facilities. System revenue bonds are repaid from pledged gross revenues that primarily consist of student tuition and fees, and certain auxiliary revenues.

During the year ended June 30, 2002, the University issued $43.945 million in system revenue refunding bonds with an average interest rate of 3.63% to advance refund $42.6 million of outstanding System Revenue Bonds, Series 1991, 1992 and 1992A, with an average interest rate of 5.95%. The Series 2002 bonds were issued at a premium of $795 thousand. The net proceeds of $44.332 million (after payment of $409 thousand in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government obligations. Those securities were deposited in an irrevocable trust with a trustee to provide for all future debt service payments on the refunded bonds. As a result, the refunded debt is considered to be defeased, and the liability for those bond payments has been removed from the financial statements. On June 1, 2002, the monies in the depository trust were used to call the refunded bonds.

In prior years, the University defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in the sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2002, $360 thousand of such bonds outstanding are considered defeased.

c. Arizona State University

The Housing Revenue Bonds are payable from housing revenues as defined in the bond indentures. The Series 1992A, 1993 and 2002 System Revenue Refunding Bonds, and the outstanding Series 1989, 1991, 2000 and 2002 System Revenue Bonds are payable from Main Campus tuition, fees, certain auxiliary enterprise revenues, and certain other revenues as defined in the bond indentures.

The University has pledged portions of its gross revenues towards the payment of debt related to various system revenue bonds outstanding at June 30, 2002. These pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include state appropriations, gifts, endowment income, or other restricted revenues.

In June 2002, the University issued $85 million of system revenue bonds for the financing of construction and utility infrastructure improvement projects at the ASU main campus.

In March 2002, the University issued $141.4 million of system revenue refunding bonds, with an average interest rate of 4.16%, to refund the outstanding higher interest rate 1992 and 1992A system revenue refunding bonds totaling $144.9 million with an average interest rate of 5.72%.. The net proceeds of $149.9 million, after the net addition of $8.5 million for bond premium, underwriting fees, and other issuance costs, were used to purchase U.S. Government securities which were

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

deposited to an irrevocable trust in order to retire all remaining maturities of the 1992 and 1992A bonds on July 1, 2002. The refunded debt is considered defeased and related liabilities are not included in the accompanying financial statements. The issuance of the refunding bonds at a lower interest rate than the rate for the refunded debt resulted in a $13 million reduction in future debt service payments, with an economic gain of $12.2 million based upon the present value savings.

In prior years, certain system revenue bonds of the University were defeased through advance refunding by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all such bonds outstanding at June 30, 2002, was $193.9 million.

Securities and cash restricted for bond retirement funds and maintenance and replacement reserves held by trustees at June 30, 2002 totaled $16.4 million.

Component Units

4. Arizona Power Authority

In prior years, Arizona Power Authority (APA) defeased various issues of bonds by purchasing United States government securities which were deposited in an irrevocable trust with an escrow agent to provide future debt service until the call dates. As a result, those bonds are considered to be defeased and the liability has been removed from the Hoover Uprating Fund. Accordingly, these trust account asset and related liabilities are not included in the accompanying financial statements. The remaining bonds, totaling $68.945 million, bear interest rates from 4.9% to 5.4% and are due from 2003 through 2017. These bonds are secured by the pledged property, as defined by the resolution, which includes the proceeds from the sale of the bonds, rights and interests in various contracts and revenues of the APA.

5. University Medical Center

In March 1992, the University Medical Center (UMC) issued $28.405 million of Hospital Revenue Bonds (the Series 1992 Bonds) and in May 1993, the UMC issued $54.750 million of Hospital Revenue Refunding Bonds (the Series 1993 Bonds). The proceeds of the Series 1992 Bonds and the Series 1993 Bonds were used to advance refund a portion of prior bonds.

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture), with which the Center is in compliance as of and for the year ended June 30, 2002. In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The UMC has established and maintains separate funds for borrowings not yet expended for construction. These funds are held by the trustee and are reflected in investments held by trustee in the accompanying financial statements, and consist principally of guaranteed investment contracts.

The bonds or other obligations of the UMC do not constitute general obligations of the Arizona Board Regents, the University of Arizona, the State of Arizona or any political subdivision thereof.

6. Water Infrastructure Finance Authority

The Water Infrastructure Finance Authority (WIFA) issued Financial Assistance Revenue Bonds in 1992, 1995, 1996, 1997 and 1998. The WIFA also issued Capitalization Revenue Bonds in 1992, 1995, 1996, 1997, and in 1999, WIFA also issued Water Quality Refunding Bonds. The bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA's assets. The bonds are not obligations, general, specific or otherwise, of the State or any other political subdivision thereof other than the WIFA.

The $1.688 million deferred loss on retirement of bonds is being amortized over the lives of the defeased bonds on the straight-line basis. The amortization for the year ended June 30, 2002, is $142 thousand and has been included in interest expense.

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2002, is $193 thousand and is offset against interest expense.

On September 8, 1999 the WIFA issued $64.000 million of Water Quality Refunding Bonds to advance refund all of the 1991A bonds, and part of the 1992A, 1995A, and 1996A bonds. Under the terms of the refunding issue, sufficient assets to pay all the principal and interest on the refunded bonds have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with the interest earned thereon, will provide amounts sufficient for future debt service requirements of the refunded bonds. The amount outstanding on the refunded bonds as of June 30, 2002 is $53.225 million. These bonds have been fully defeased, and, therefore, the corresponding liability has been removed from the accompanying financial statements.

On December 12, 2001, the Water Infrastructure Finance Authority (WIFA) issued $110.000 million of water quality revenue bonds (the "Series 2001A Bonds") with interest rates ranging from 4.0% to 5.375% to (1) fund certain loans made by the WIFA to finance water quality projects and to reimburse the WIFA monies previously loaned for those purposes, (2) make a deposit to the reserve account and (3) pay issuance costs of the Series 2001A bonds. The bonds are due October 1, 2002 through 2021. Net proceeds totaled $102.577 million (after receipt of $4.823 million of original issue premium, deposit of $11.458 million to the reserve account, and payment of $788 thousand bond issuance costs).

7. Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2002 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Amount Authorized	Amount Issued	Outstanding Balance at June 30, 2002
Governmental Activities:						
Department of Transportation	1988-2002	2003-2020	2.0-8.8%	$2,496,580	$2,496,580	$1,337,045
School Facilities Board	2001-2002	2002-2019	3.25-5.5%	800,000	488,500	445,465
Business Type Activities:						
University Revenue Bonds	1961-2002	2001-2027	2.7-7.1%	1,097,456	1,024,356	596,403
Component Units:						
Arizona Power Authority	1993	2003-2017	4.9-5.4%	68,945	68,945	68,945
University Medical Center	1992-1993	2003-2021	5.53-6.11%	83,155	83,155	73,615
Water Infrastructure Finance Authority	1992-2002	2005-2022	3.7-6.1%	253,715	253,715	241,855

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2002 for the Primary Government are as follows (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-Type Activities		
Fiscal Year	Total Principal	Total Interest	Total	Total Principal	Total Interest	Total
2003	$ 238,050	$ 67,392	$ 305,442	$ 30,980	$ 30,890	$ 61,870
2004	268,865	79,617	348,482	31,907	28,235	60,142
2005	280,995	66,811	347,806	37,046	26,692	63,738
2006	75,300	52,160	127,460	41,960	24,847	66,807
2007	77,435	48,331	125,766	41,595	22,925	64,520
2008-2012	400,180	178,107	578,287	191,955	84,060	276,015
2013-2017	271,380	87,908	359,288	147,760	37,635	185,395
2018-2022	170,305	17,488	187,793	34,525	14,442	48,967
2023-2027	-	-	-	32,725	5,112	37,837
2028-2032	-	-	-	5,950	-	5,950
Total	$1,782,510	$597,814	$ 2,380,324	$ 596,403	$ 274,838	$ 871,241

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2002 for the Component Units are as follows (expressed in thousands):

	Component Units		
Fiscal Year	Total Principal	Total Interest	Total
2003	$ 15,740	$ 18,866	$ 34,606
2004	15,695	19,262	34,957
2005	17,165	19,072	36,237
2006	19,000	18,928	37,928
2007	20,365	18,355	38,720
2008-2012	113,700	71,556	185,256
2013-2017	120,545	35,301	155,846
2018-2022	62,205	6,956	69,161
Total	$ 384,415	$ 208,296	$ 592,711

B. GRANT ANTICIPATION NOTES

The Grant Anticipation Notes Fund administers all payments of principal and interest for notes issued by the Transportation Board and is secured by revenues received from the Federal Highway Administration under a grant agreement and certain other federal-aid revenues. The original amount of grant anticipation notes issued was $182.295 million.

The following schedule summarizes grant anticipation notes outstanding at June 30, 2002 (expressed in thousands):

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Amount Authorized	Amount Issued	Outstanding Balances at June 30, 2002
Governmental Activities:						
Department of Transportation	2000-2001	2004-2008	4.0-5.3%	$ 182,295	$ 182,295	$ 182,295

Future debt service principal and interest payments on grant anticipation notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

	Annual Debt Service		
	Governmental Activities		
Fiscal Year	Total Principal	Total Interest	Total
2003	$ 13,150	$ 8,683	$ 21,833
2004	36,755	7,488	44,243
2005	49,000	5,401	54,401
2006	38,540	3,209	41,749
2007	37,000	1,308	38,308
2008-2012	7,850	196	8,046
Total	$ 182,295	$ 26,285	$ 208,580

C. CERTIFICATES OF PARTICIPATION

1. Department of Administration

The State has issued Certificates of Participation (COPs) to finance construction or improvements of office buildings that are primarily leased to State agencies. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the State Legislature and annual allocations of such

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the Lease will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the project will be sufficient to pay principal and interest with respect to the then outstanding Certificates. The scheduled payments of principal and interest with respect to the Certificates of Participation are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the Certificates of Participation. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

Capitalized interest costs include interest incurred during the construction of an asset.

The December 1993 COPs for the Department of Administration were issued to refund the December 1989 and October 1990 certificates. Sufficient assets were deposited in an irrevocable trust to provide for all future debt service requirements of the refunded COP's. The total amount refunded was $31.815 million. This amount is considered defeased and is not included in the accompanying financial statements.

On November 1, 2001, the State issued the 2001A Certificates of Participation in the amount of $56.480 million, and the 2001B Certificates of Participation in the amount of $1.450 million to: (i) refund all of the Series 1991 Certificates of Participation currently outstanding in the amount of $36.025 million, (ii) refund all of the Series 1992A Certificates of Participation currently outstanding in the amount of $15.640 million, and (iii) refund all the Series 1992C Certificates of Participation currently outstanding in the amount of $10.330 million. Sufficient assets were deposited in an irrevocable trusts at commercial banks to provide for all future debt service requirements of the refunded COP's

The above refunding reduced the State's debt service requirements by $13.258 million, which resulted in an economic gain (difference between the present values of the old and new debt service payments) of $13.294 million.

The Series 2002A Certificates of Participation for the Department of Administration were issued for $63.270 million to finance a portion of the costs of acquisition, construction and improvement of a new laboratory facility (the "State Health Lab") for the State Department of Health Services, Bureau of State Laboratory Services and the acquisition, design, and implementation of a new human resources information system for the State (the HRIS), and to pay the costs of issuing the Series 2002A certificates.

2. Industrial Commission

The 1985 COPs for the Industrial Commission were issued to refund the 1984 certificates that were issued to finance the cost of acquiring and constructing a building. Sufficient assets were deposited in an irrevocable trust to provide for all future debt service requirements of the refunded COPs. The lease agreement provides that the title will pass to the Industrial Commission at the end of the lease term, once the COPs are completely redeemed. The refunded amount was $17.500 million. This amount is considered paid and is not included in the outstanding amounts.

3. University of Arizona

On December 12, 2001, the University of Arizona issued Certificates of Participation, Series 2001B for $21.425 million. The 2001B Certificates have an optional redemption date of June 1, 2012. There are also extraordinary redemption dates pursuant to the debt documents. The 2001B Certificates include $13.915 million of serial certificates with interest rates ranging from 3.0% to 5.0% and maturity dates ranging from 2003 to 2017. The 2001B Certificates also include $7.510 million of term certificates due June 1, 2022 with an interest rate of 5.125%. The 2001B Certificates were issued at a discount of $99 thousand. The proceeds are being used to construct the Highland District Residence Life Infrastructure, reconfigure the Arizona Health Sciences Center Animal Facility, and expand the Gittings Dance Hall.

On April 4, 2002, the University of Arizona issued Certificates of Participation, Series 2002A in the amount of $76.965 million with interest rates ranging from 3.75% to 5.5% and maturity dates ranging from 2003 to 2022. The certificates have an optional

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

redemption date of June 1, 2012. The Certificates of Participation, Series 2002A were sold at a premium of $1.439 million. The University realized net proceeds of $77.318 million after payment of $1.086 million for issuance costs, underwriters discount and bond insurance. The net proceeds for the sale of these certificates are being used to finance the construction of a new Highland District Student Residential Hall, a new Campus Health Facility, and the University North Building located northwest of Tucson. In addition, a portion of the proceeds were used to advance-refund two certificates of participation Series 1991 and 1992 with a total outstanding principal balance of $16.735 million, and a call date of July 15, 2002. The advance refunding reduced the University's total debt service requirements for the two certificates of participation by $319 thousand, and provided a net present value cash flow benefit of $1.169 million. The refunded Certificates of Participation Series 1991 and 1992 will be paid by investments held in an irrevocable trust with a combined carrying value of $17.509 million. The refunded debt is considered defeased and is not included in the accompanying financial statements.

The University of Arizona had outstanding at June 30, 2002, two Variable Rate Certificates of Participation Series 1999B and 2000A totaling $64.2 million. Both certificates bear interest at a weekly rate determined by Paine Webber, as remarketing agent, with final maturity dates of June 1, 2024 and June 1, 2025, respectively. These certificates are subject to conversion, at the option of the Arizona Board of Regents, to an adjustable rate, an annual rate, or a term rate pursuant to the debt documents. If not converted, the 1999B and 2000A certificates will bear interest at a weekly rate not to exceed 12 percent per annum determined under prevailing market conditions by the remarketing agent.

4. Arizona State University

In June 2002, Arizona State University issued $103.8 million of certificates of participation for the financing of construction and renovation projects at the ASU Main, ASU West, and ASU East Campuses.

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the COPs issued as of June 30, 2002, is as follows (expressed in thousands):

Project	Issue Date	Maturity Date	Amount Authorized And Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Arizona Municipal Financing Program	1992	2010	$ 129,640	$ 88,645	3.4 – 6.25%
School for the Deaf and Blind/Game and Fish	1993	2011	31,250	19,815	2.75 – 5.0
Refunding Certificates of 92A, 92C, & 1091	2001	2011	57,930	57,930	3.25 – 5.25
Health Lab/HRIS	2002	2022	63,270	60,820	3.0 – 5.5
AHCCCS	1994	2005	12,642	4,694	6.66
Total Governmental Activities:			$ 294,732	$ 231,904	
Business-Type Activities:					
Industrial Commission Special Fund	1985	2005	$17,500	$ 7,400	1.90 – 3.40%
Arizona State University:					
Towers Project	1991	2010	4,500	2,885	6.89
West Campus - Refunding	1993	2009	46,905	33,675	5.18
Downtown Center – A	1999	2024	5,620	5,495	5.75
Downtown Center – B	1999	2024	5,165	5,085	8.00
2002 Certificates of Participation	2002	2026	103,800	103,800	4.75
University of Arizona:					
Residence Life	1994	2014	16,725	12,775	4.1 – 5.8
Maingate Admin	1994	2024	16,170	14,470	4.25 – 6.0
Alumni Foundation	1997	2008	2,965	1,920	3.8 – 4.5
Fixed Student Union A	1999	2024	21,607	21,980	5.0 – 5.3
Student Union B	1999	2024	36,500	36,500	Variable not to exceed 12
Parking Garage/Residence Hall	1999	2024	18,635	18,380	4.2 – 5.75
McKale/UAPD/Mt. Graham	2000	2025	28,300	27,700	Variable not to exceed 12
Park Student Union/Ln Svcs/6th St Gar	2001	2025	31,695	31,555	3.4 – 5.5
Gittings Bldg. Highland Infra. Life Sci.	2001	2022	21,425	21,425	3.0 – 5.125
Student Housing, Health Bldg., UA North	2002	2022	76,965	76,965	3.75 – 5.5
Total Business Type Activities:			$ 454,477	$ 422,010	
Total Certificates of Participation:			$ 749,209	$ 653,914	

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

Principal and interest debt service requirements on COPs outstanding at June 30, 2002, are as follows (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-Type Activities		
Fiscal Year	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2003	$ 15,103	$ 11,350	$ 26,453	$ 9,950	$ 19,851	$ 29,801
2004	17,242	11,475	28,717	15,705	17,768	33,473
2005	19,022	10,535	29,557	15,300	17,207	32,507
2006	19,191	9,519	28,710	17,585	16,522	34,107
2007	21,230	8,465	29,695	15,100	15,848	30,948
2008-2012	115,820	22,753	138,573	81,935	68,576	150,511
2013-2017	12,275	4,247	16,522	93,574	53,298	146,872
2018-2022	9,745	1,852	11,597	119,821	24,893	144,714
2023-2027	2,276	58	2,334	53,040	4,062	57,102
Total	$ 231,904	$ 80,254	$ 312,158	$ 422,010	$ 238,025	$ 660,035

D. LEASES AND INSTALLMENT PURCHASES

1. Leases

The total operating lease expenditures for the fiscal year ended June 30, 2002, were $43.291 million for governmental activities, $17.052 million for business-type activities, and $1.256 million for the Component Units. The future minimum lease payments for long-term operating leases as of June 30, 2002, are summarized below (expressed in thousands):

	Primary Government			
Fiscal Year	Governmental Activities	Business-Type Activities	Component Units	Total
2003	$ 30,840	$ 2,592	$ 1,718	$ 35,150
2004	24,074	2,144	639	26,857
2005	18,225	851	488	19,564
2006	11,632	652	465	12,749
2007	6,372	365	110	6,847
2008-2012	718	372	269	1,359
Total Future Minimum Payments	$ 91,861	$ 6,976	$ 3,689	$ 102,526

Many operating leases are for buildings and land leased by State agencies. Although these leases are considered to be long-term, they are cancelable under certain circumstances.

* An agency must be able to cancel the lease if monies are not appropriated to cover the lease expenditures.

* If an agency is ordered to move into State-owned property and a 60-day notice is given, the lease can be canceled without penalty.

* In situations where the use of the leased property is dependent on the use of Federal monies, the lease must be cancelable in the event Federal monies are no longer available.

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

The State has entered into capital lease agreements for the acquisition of telephone systems, copy machines and other equipment.

The future minimum lease payments for long-term capital leases (all primary government) as of June 30, 2002 are summarized below (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-Type Activities		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2003	$ 1,384	$ 422	$ 1,806	$ 9,323	$ 1,327	$ 10,650
2004	1,191	365	1,556	8,898	1,218	10,116
2005	1,132	305	1,437	6,612	819	7,431
2006	1,042	247	1,289	5,987	524	6,511
2007	918	194	1,112	4,750	272	5,022
2008-2012	2,850	280	3,130	1,966	229	2,195
2013-2017	0	0	0	222	12	234
Totals	$ 8,517	$ 1,813	$ 10,330	$ 37,758	$ 4,401	$ 42,159

2. Installment Purchases

The State has installment purchase contracts payable for acquisitions of computer and other equipment. Installment purchases assets and liabilities are reported in the government wide Statement of Net Assets.

The future minimum payments for long-term installment purchases (all primary government) as of June 30, 2002, are summarized below (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-Type Activities		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2003	$ 4,665	$ 389	$ 5,054	$ 797	$ 216	$ 1,013
2004	4,116	165	4,281	459	169	628
2005	1,020	38	1,058	379	142	521
2006	276	14	290	382	120	502
2007	151	2	153	294	98	392
2008-2012	-	-	-	1,521	270	1,791
Total future Minimum payments	$ 10,228	$ 608	$ 10,836	$ 3,832	$ 1,015	$ 4,847

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

3. Capital Assets Financed through Capital Leases and Certificates of Participation

The following table summarizes historical cost of assets acquired under capital leases and certificates of participation:

	Governmental Activities	Business-Type Activities
Land	$ 6,078	$ -
Construction in Progress	12,049	-
Buildings	198,457	237,824
Improvement other than Building	3,653	-
Equipment	12,394	-
	232,631	237,824
Accumulated Depreciation	65,461	31,093
Net Certificates of Participation and Capital Lease Assets	$ 167,170	$ 206,731

E. NOTES PAYABLE

The Arizona Department of Transportation (ADOT) notes payable as of June 30, 2002 was $338.386 million. The governmental activities notes payable was $192.849 million, and the business-type activities notes payable was $145.536 million. The notes payable represent the State Highway Fund loan payable to the Highway Expansion and Loan Program Fund (H.E.L.P.) for $93.980 million, the Maricopa Regional Area Road Construction Fund loan payable to the City of Mesa for $33.166 million, the Equipment Fund loan payable to creditors for $5.693 million, and the Board Funding Obligations for loans from the State Treasurer for $205.547 million. The total outstanding for Board Funding Obligations is as follows:

1. Laws 1999, Chapter 189 (SB 1201) authorized a Board Funding Obligation (BFO) of $100 million to the H.E.L.P. fund in fiscal year 2000. Both the principal and interest of the BFO are due on March 14, 2004 ($43.115 million) and June 27, 2004 ($62.315 million), respectively.

2. Laws 2001, Chapter 238 (HB 2636) authorized a Board Funding Obligation (BFO) of $40 million to the H.E.L.P. fund in fiscal year 2002. Interest accrued to date is $107 thousand. Both principal and interest of the BFO are due no later than May 31, 2004.

3. Laws 2001, Chapter 238 (HB 2636) authorized a Board Funding Obligation (BFO) of $60 million to the State Highway Fund in fiscal year 2002. Interest accrued to date is $10 thousand. Both principal and interest of the BFO are due no later than May 31, 2004.

F. LITIGATION

The amounts shown for the *Ladewig vs. Waddell* case and the *Roosevelt Elementary School District No. 66 vs. State of Arizona* case are further discussed in Note 12 – *Commitments, Contingencies, and Compliance*.

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

G. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in Long-Term Obligations (expressed in thousands):

	Restated Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue Bonds	$ 1,882,765	$ 222,600	$ (322,855)	$ 1,782,510	$ 238,050	$ 1,544,460
Grant Anticipation Notes	182,295	-	-	182,295	13,150	169,145
Certificates of Participation	168,258	139,254	(75,608)	231,904	15,103	216,801
Capital Leases	9,390	904	(1,777)	8,517	1,384	7,133
Installment Purchase Contracts	9,767	4,834	(4,373)	10,228	4,665	5,563
Notes Payable	-	204,707	(11,858)	192,849	82,172	110,677
Revenue Bond Premium	19,766	10,142	(1,882)	28,026	2,358	25,668
Certificates of Participation Premium	-	4,674	-	4,674	350	4,324
Total Long-term Debt	2,272,241	587,115	(418,353)	2,441,003	357,232	2,083,771
Other Long-term Liabilities:						
Compensated Absences	123,646	147,227	(130,699)	140,174	132,473	7,701
Ladewig vs. Waddell Settlement	-	350,000	-	350,000	-	350,000
Roosevelt School District Settlement	-	88,000	-	88,000	-	88,000
Total other Long-term Liabilities	123,646	585,227	(130,699)	578,174	132,473	445,701
Total Long-term Obligations	$ 2,395,887	$ 1,172,342	$ (549,052)	$ 3,019,177	$ 489,705	$ 2,529,472
Business Type Activities:						
Revenue Bonds	$ 540,019	$ 363,405	$ (307,021)	$ 596,403	$ 30,980	$ 565,423
Certificates of Participation	244,934	202,326	(25,250)	422,010	9,950	412,060
Capital Leases	29,259	13,951	(5,452)	37,758	9,323	28,435
Installment Purchase Contracts	1,634	3,229	(1,031)	3,832	797	3,035
Notes Payable	-	145,536	-	145,536	-	145,536
Revenue Bond Premium	-	11,674	(289)	11,385	-	11,385
Deferred Amount on Refundings	-	(6,759)	1,445	(5,314)	(150)	(5,164)
Certificates of Participation Premium	-	2,682	(2)	2,680	-	2,680
Total Long-term Debt	815,846	736,044	(337,600)	1,214,290	50,900	1,163,390
Other Long-term Liabilities:						
Compensated Absences	40,611	46,295	(40,591)	46,315	46,143	172
Total other Long-term Liabilities	40,611	46,295	(40,591)	46,315	46,143	172
Total Long-term Obligations	$ 856,457	$ 782,339	$ (378,191)	$ 1,260,605	$ 97,043	$ 1,163,562
Component Units:						
Revenue Bonds	$ 282,730	$ 110,000	$ (8,315)	$ 384,415	$ 15,740	$ 368,675
Revenue Bond Discount	(4,816)	-	256	(4,560)	-	(4,560)
Revenue Bond Premium	335	4,822	(193)	4,964	-	4,964
Total Long-term Debt	278,249	114,822	(8,252)	384,819	15,740	369,079
Other Long-term Liabilities:						
Compensated Absences	3,161	12,831	(8,074)	7,918	3,506	4,412
Total other Long-term Liabilities	3,161	12,831	(8,074)	7,918	3,506	4,412
Total Long-term Obligations	$ 281,410	$ 127,653	$ (16,326)	$ 392,737	$ 19,246	$ 373,491

NOTE 6. LONG-TERM OBLIGATIONS (CONCLUDED)

The above long-term obligations relating to governmental activities include internal service funds. Amounts for installment contracts and compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets because liabilities of $1.488 million of installment contracts and $11.352 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net assets and liabilities. An additional $1.660 million in compensated absences was recorded as a current liability in the fund financial statements; however, this amount was reclassified in the government wide statement of net assets to current portion of other long-term liabilities. Therefore, this amount is included in the Long-Term Obligation footnote, but is not a reconciling item between the governmental funds balance sheet and the government-wide statement of net assets.

NOTE 7. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2002 are as follows (expressed in thousands):

	Due To						
Due From	General Fund	Transportation & Aviation Fund	Land Endowments Fund	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	$ -	$ 22,127	$ 1,390	$ 7,929	$ 166	$ 1,550	$ 33,162
Transportation & Aviation Fund	-	-	-	-	571	168	739
Non-Major Governmental Funds	517	-	-	277	1,914	122	2,830
Unemployment Compensation Fund	19	-	-	194	-	-	213
Lottery	2,239	-	-	7,238	-	-	9,477
Non-Major Enterprise Funds	3,009	20,000	-	-	-	-	23,009
Internal Service Funds	244	2	-	-	-	273	519
Total Due From	$ 6,028	$ 42,129	$ 1,390	$ 15,638	$ 2,651	$ 2,113	$ 69,949

Interfund balances represent (1) amounts due to and from the internal service funds for goods and services rendered, and (2) Cash transferred between funds subsequent to the balance sheet date. The cash is recorded in the fund, which initiated the transfer, and a corresponding liability is recorded. The receiving fund records an interfund receivable.

Interfund Transfers

Transfers for the year ended June 30, 2002 are as follows (expressed in thousands):

	Transferred To							
Transferred From	General Fund	Transportation & Aviation Fund	Land Endowments Fund	Non-Major Governmental Funds	University Funds	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	$ -	$ 3,526	$ 349	$ 75,878	$ 766,185	$ 252	$ 4	$ 846,194
Transportation & Aviation Fund	52,174	-	-	317,890	-	-	-	370,064
Non-Major Governmental Funds	194,962	3,899	-	122,783	-	5,056	2	326,702
Unemployment Compensation	212	-	-	1,169	-	125	-	1,506
Lottery	33,498	-	-	21,675	-	-	-	55,173
Non-Major Enterprise Funds	3,023	-	-	2,000	-	-	-	5,023
Internal Service Funds	10,088	-	-	5,126	-	-	-	15,214
Total Transfers In	$ 293,957	$ 7,425	$ 349	$ 546,521	$ 766,185	$ 5,433	$ 6	$1,619,876

NOTE 7. INTERFUND TRANSACTIONS (CONCLUDED)

Interfund transfers represent legally authorized non-exchange transfers of funds. These transfers include: (1) Legislative appropriations from the general fund, (2) other legislative transfers, (3) Statutorily required transfers, (4) transfers related to the elimination of funds, and (5) transfers for debt service.

NOTE 8. ACCOUNTING CHANGES AND RESTATEMENTS

During fiscal year 2002, the State implemented several new accounting standards issued by GASB:

No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,
No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,
No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, and
No. 38, Certain Financial Statement Note Disclosures.

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. This statement's requirements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior year financial statement balances were required.

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The State universities, reported as major proprietary funds, adopted the requirements of Statement No. 35.

Statement No. 38 requires certain footnote disclosures when Statement No. 34 is implemented.

The Land Endowment Fund beginning fund balance was restated due to GASB 34 to reflect (1) the removal of capital assets, net of accumulated depreciation in the amount of ($12.585) million at the fund level because the Land Endowment Fund was reported using the full accrual basis of accounting in prior years, and (2) the net effect of earned revenue which was not recorded in prior years in the amount of $9.880 million. In addition to the GASB Statement implementations, four corrections of errors were made. The General Fund beginning fund balance was restated by $134.888 million to correct income tax revenue recorded in the prior year that were not earned. The Transportation and Aviation Fund fund balance was restated by $36.817 million. This restatement is due to the ADOT incorrectly excluding funds received from the General Fund in prior years. Non-Major governmental funds beginning fund balance was restated by $13.759 million to reflect an unrecorded liability at June 30, 2001. Other funds were reclassified to the Enterprise funds and internal service funds due to review of proper fund type. These reclassifications are unrelated to GASB 34 implementation.

The provisions of these new standards have been incorporated into the financial statements and notes. The following table summarizes (in thousands) changes to fund equities as previously reported in the Combined Balance Sheet. These changes resulted primarily from implementation of these GASB statements, except as noted above.

NOTE 8. ACCOUNTING CHANGES AND RESTATEMENTS (CONCLUDED)

Fund Balances and Net Assets at June 30, 2001 have been restated as follows (expressed in thousands):

	June 30, 2001 as Previously Reported	GASB 34 Fund Reclassifications	Corrections of Errors	Adoption of GASB 34	July 1, 2001 As Restated
Governmental Funds and Activities					
General fund	$ 1,380,364	$ 63,407	$ (134,888)	$	$ 1,308,883
Transportation & Aviation	26,444	319,587	36,817	-	382,848
Land Endowments	-	1,083,327	-	(2,705)	1,080,622
Non-Major Funds	1,942,122	(402,633)	(13,579)	-	1,525,910
Total Governmental Funds Fund Balances	3,348,930	1,063,688	(111,650)	(2,705)	4,298,263
Adoption of GASB No. 34:					
Revenue Recognition	-	125,071	-	58,373	183,444
Capital assets, net depreciation	-	1,895,189	-	8,938,663	10,833,852
Revenue Bonds	-	-	-	(1,882,765)	(1,882,765)
Grant Anticipation Notes	-	-	-	(182,295)	(182,295)
Certificates of Participation	-	-	-	(167,012)	(167,012)
Capital Leases	-	-	-	(9,390)	(9,390)
Installment Purchases	-	-	-	(9,759)	(9,759)
Revenue Bond Premium	-	-	-	(19,766)	(19,766)
Certificates of Participation Premium	-	-	-	(1,246)	(1,246)
Compensated Absences	-	-	-	(123,646)	(123,646)
Internal Service Fund consolidation	-	(90,777)	-	-	(90,777)
Compensated Absences reclassified to Internal Service Funds	-	-	-	8,844	8,844
Other Restatements	-	-	-	4,985	4,985
Adoption of GASB No. 34	-	1,929,483	-	6,614,986	8,544,469
Total Governmental Funds Net Assets	$ 3,348,930	$ 2,993,171	$ (111,650)	$ 6,612,281	$ 12,842,732

	June 30, 2001 as Previously Reported	GASB 34/35 Fund Reclass-ifications	Other Fund Reclassifications	Adoption of GASB 35	July 1, 2001 As Restated
Proprietary Funds and Business-Type Activities					
Lottery	$ 8,675	$ -	$ -	$ -	$ 8,675
Industrial Commission	80,073	-			80,073
Universities	-	3,246,629		(1,567,461)	1,679,168
Unemployment Compensation	-	1,051,658		-	1,051,658
Non-major Enterprise funds	52,090	-	79,235		131,325
Total Proprietary Funds and Business-type Activities	$ 140,838	$ 4,298,287	$ 79,235	$ (1,567,461)	$ 2,950,899
Internal Service Funds	$ (96,922)	-	$ 6,145	$ -	$ (90,777)
Fiduciary Funds	$ 32,989,607	$ (2,363,035)	$ -	$ -	$ 30,626,572
Account Groups					
General Fixed Assets	$ 1,895,189	$ (1,895,189)	$ -	$ -	$ -
General Long-term Debt	-	-			-
Total Account Groups	$ 1,895,189	$ (1,895,189)	$ -	$ -	$ -
Universities	$ 3,246,629	$ (3,246,629)	$ -	$ -	$ -

NOTE 9. FUND DEFICIT

The Internal Service Funds deficit results from the Risk Management Fund net losses in prior years. The Risk Management Fund deficit of $207.039 million is primarily due to the State's policy of funding 50% of the actuarially determined liability. However, 100% of the liability is recorded for financial statement purposes. The Risk Management Fund accumulated deficit at June 30, 2002, should be recovered through annual adjustments to insurance billings. The entire liability is reflected in the Internal Service Funds. Current period losses are allocated to functions of government in the government-wide statement of activities.

NOTE 10. RELATED PARTY TRANSACTIONS

A. ARIZONA STATE UNIVERSITY

Not included in the accompanying financial statements are six financially interrelated organizations that are nonprofit corporations controlled by separate Boards of Directors whose goals are to support Arizona State University. Financial statements of these organizations are audited by independent auditors.

Four of these financially interrelated organizations (the Arizona State University Alumni Association, Arizona State University Foundation, Sun Angel Foundation and the Sun Angel Endowment) receive funds primarily through donations and dues, and contribute funds to the University for support of various programs.

A fifth financially interrelated organization, Price-Elliott Research Park, Inc. (Park), is developing a research park to promote and support research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.

As of June 30, 2002, the Park had $18.0 million of revenue bonds outstanding at an average interest rate of 5.26%. The debt service on the bonds is secured by a subordinated lien on University Main Campus revenues. Park revenues are not pledged in order to provide development flexibility to the Park.

Annual debt service on the Park bonds will be $1.0 million in fiscal year 2003 and varies from a low of $900 thousand in fiscal year 2004 to a high of $1.7 million in fiscal year 2006. The University is obligated to pay the annual debt service, if not paid by the Park, under a debt service assurance agreement.

Beginning in fiscal year 1990, the University provided operating cash advances to the Park repayable with interest to the University (1) upon the Park's total gross receipts for a fiscal year exceeding its total disbursements for the fiscal year and (2) before any Park surpluses are transferred to the Arizona State University Foundation, for the benefit of Arizona State University. The last year for cash transfers to the Park was fiscal year 1998. Since the Park's repayment to the University was dependent upon successful future operations and entering into additional land leases, the transfers to the Park were recorded by the University as current year expenditures when made and not as an asset on the University's balance sheet. Total cash advances repayable to the University at June 30, 2002, including the accrued interest, totaled $6.5 million. During fiscal year 2002, the Park repaid $1.3 million to the University, with this amount being recorded as other revenues with the timetable for future repayments dependent upon the Park entering into additional land leases.

A sixth financially interrelated organization, the Collegiate Golf Foundation, operates a University-owned golf course.

Assets, net assets, and revenues for these organizations for the most recent fiscal year for which audits have been completed aggregated $293.5, $231.3 and $31.5 million, respectively, with substantially all of the net assets being donor restricted or endowment funds.

The University has, or is in the process of entering into several privatized arrangements for on-campus student housing and campus energy management where an independent management company is responsible for providing services to the University

NOTE 10. RELATED PARTY TRANSACTIONS (CONTINUED)

and/or students served by the University. In conjunction with these privatized arrangements, the independent management companies, with the approval and assistance of the University have obtained, or are in the process of obtaining, tax-exempt financing in order to maximize the overall financial benefits to the University and its students. As of June 30, 2002, two tax-exempt financings had been completed by an independent management company through separately incorporated non-profit entities formed by the independent companies to do the tax-exempt financings. The University is not legally responsible for repayment of the tax-exempt debt, and there is no pledge or guarantee by the University for repayment of the debt. On June 20, 2002, there was $32.1 million of bonds outstanding for these two privatized arrangements with approximately $50.0 million of financings for two other privatized arrangements being in process. Upon final principal repayment of the financings, title to the student housing and energy management equipment transfers to the University.

B. NORTHERN ARIZONA UNIVERSITY

The financial activities of the Northern Arizona University Foundation, Inc., (Foundation) and the Northern Arizona Capital Facilities Finance Corporation (NACFFC) are not included in the accompanying financial statements. The Foundation and the NACFFC are nonprofit corporations controlled by separate Boards of Directors. The goals of the Foundation are to promote the cause of education and the objectives of the University. The NACFFC was formed for the purpose of building on-campus student housing.

The NACFFC, with the approval and assistance of the University, has obtained tax-exempt financing to construct a student housing facility. The University is not legally responsible for repayment of the tax-exempt debt, and there is no pledge or guarantee by the University for repayment. The housing facility was opened in the fall of 2002 and daily operations are managed by the University. On June 20, 2002, there were $15.4 million of bonds outstanding for this privatized arrangement. Upon final principal repayment of the financing, title to the student housing transfers to the University. This housing is built on University property that is leased to the NACFFC for the term of the bond issue.

C. UNIVERSITY OF ARIZONA

The accompanying financial statements do not include the operations of the University of Arizona Foundation, Inc., the University Physicians, Inc., the Arizona Research Park Authority, and the Campus Research Corporation.

The University of Arizona Foundation, Inc. (Foundation) is a nonprofit corporation controlled by a separate Board of Directors. The principal goals of the Foundation are to support the University of Arizona through various fund-raising activities, and to contribute funds to the University for support of various programs. According to the audited financial statements of the Foundation for the year ended June 30, 2001, assets, liabilities, revenues, and expenditures totaled $299, $29, $72 and $45 million, respectively.

The University Physicians, Inc. (UPI) is a nonprofit corporation established to support the University of Arizona in achieving its teaching and research missions through the provision of patient care. The UPI is controlled by a Board of Directors, comprised of the Dean, three faculty physicians, a representative of the twelve clinical department heads and three community members. According to the audited financial statements of the UPI for the year ended June 30, 2001, assets, liabilities, revenues and expenditures totaled $104, $53, $145 and $135 million, respectively.

The Arizona Research Park Authority (ARPA) is a nonprofit corporation created under the auspices of the Arizona Board of Regents (ABOR) and designated by Arizona law as a political subdivision of the State, governed by a separate board of directors, which by law may not include officers or employees of ABOR. The ARPA was established under the State's industrial development authority statute to assist in the acquisition, improvement, and operation of university research parks and related properties. In August 1994, ARPA, with approval of ABOR, sold $98 million of nontransferable special revenue bonds to International Business Machines Corporation (IBM) to enable the University to acquire from IBM a 345-acre developed industrial site near Tucson, Arizona, together with 1,000 acres of adjacent unimproved land (collectively, the University of Arizona Science and Technology Park or the "Park"). The bonds are payable solely from lease rentals paid by IBM. If IBM defaults or cancels its

NOTE 10. RELATED PARTY TRANSACTIONS (CONCLUDED)

lease, the bonds must be surrendered and discharged. Title to the entire Park resides in the University and neither the Park nor any payments by the University secures ARPA's bonds. Since the original transaction, IBM has reduced its leasehold to 70% of the building space for periods up to the remaining term of 22 years. Audited financial statements are not available.

The Campus Research Corporation (CRC) is a nonprofit corporation governed by a separate Board of Directors and was established to assist the University in the acquisition, improvement, and operation of the Park and related properties. The CRC currently leases from the University the remaining 30% of the building space of the Park that is not leased to ARPA (see preceding paragraph). The CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The University is responsible for payment of operational expenses associated with the space occupied by the University departments, offices, and programs. All income received by the CRC from its activities, after payment of expenses and financial reserves, will be distributed to the University. During fiscal year 2002, $300 thousand was distributed to the University of Arizona.

The CRC's June 30, 2002, audited financial statements disclosed:

- $12.805 million total assets, including $5.277 million in net property and equipment and $5.195 million of net intangible assets, the major components of which relate to leasehold interest and deferred leasing costs.
- $4.778 million total liabilities, including $2.951 million long-term debt in the form of two collateralized notes payable to Wells Fargo, Arizona.
- $6.422 million total revenues, primarily consisting of rental income from the Park and related properties.
- $4.660 million total expenses, including $2.115 million of project operating costs and $683 thousand amortization of intangible assets.
- During fiscal year 2002 cash and cash equivalents decreased by $152 thousand.

The CRC's audited financial statements may be obtained by writing to P.O. Box 210066, Tucson, Arizona 85721-0066.

D. UNIVERSITY MEDICAL CENTER

The University Medical Center (UMC) and the University of Arizona (the University) both provide and receive services from each other under various contracts. Payments to the University by the UMC include resident and intern salaries, utilities, ground maintenance, mailroom operations and various administrative functions. Amounts paid to the University for these services were $14.264 million for the year ended June 30, 2002.

The UMC has entered into contractual agreements with the University to provide support for the academic mission of the University. Charges to the University for such services and facilities provided by the UMC were $10.136 million for the year ended June 30, 2002. These amounts are included in other operating revenue in the accompanying financial statements.

University Physicians, Inc. (UPI) is a not-for-profit corporation whose members are physicians employed by the University and who practice at the UMC. The UMC has agreements with UPI whereby the UPI provides physician and other services to UMC. Additionally, the UMC provides various services to the UPI.

NOTE 11. JOINT VENTURE

UNIVERSITY OF ARIZONA

The University of Arizona (the University) is a participant in the Large Binocular Telescope Corporation (LBT). The LBT was formally incorporated as a not-for-profit corporation in August 1992, pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the University and the Arcetri Astrophysical Observatory in Florence, Italy (Arcetri). The purpose of the joint venture is to design, develop, construct, own, operate and maintain a binocular telescope currently being

NOTE 11. JOINT VENTURE (CONCLUDED)

constructed in Arizona. The current members of the LBT are the University, Arcetri Research Corporation, Ohio State University and the LBT Beteiligungsgesellschaft.

The University has committed resources equivalent to 25% of the project's construction costs and the LBT's annual operating costs. As of June 30, 2002, the University has made cash contributions of $14.0 million toward the project's construction costs. The University's financial interest represents its future viewing/observation rights. Upon completion of construction, viewing rights will be divided among the participants in proportion to their contributions. According to the audited financial statements of the LBT for the year ended December 31, 2001, assets liabilities, revenues and expenditures totaled $78.0 million, $2.0 million, $9.0 million and $1 million, respectively.

The LBT's separate audited financial statements can be obtained from LBT Project Office, Steward Observatory, University of Arizona, Tucson, AZ 85721-0065.

NOTE 12. COMMITMENTS, CONTINGENCIES AND COMPLIANCE

A. RISK MANAGEMENT INSURANCE LOSSES

The Department of Administration – Risk Management Section manages the State's property, environmental, liability and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Section. Consequently, all agencies and the State's three universities are required to participate in this program. The State's Risk Management Section evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Industrial Commission provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration –Risk Management Section, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Industrial Commission encompass losses against uninsured or underinsured employers, insolvent insurance carriers' payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments and compensation for loss of earnings associated with the disability. The Industrial Commission is totally self-insured.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund (Internal Service Fund) and the Industrial Commission Fund (Enterprise Fund). As discussed in the following paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Section will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Interest and dividend earnings of investments currently fund the Industrial Commission Fund. To provide funding for workers' compensation claims, the Industrial Commission could direct payment to the State Treasurer an amount not to exceed one and one-half percent of all premiums received by the State Compensation Fund, private carriers and self-insured plans during the immediately preceding calendar year. No such assessments have been made by the Commission since January 1992.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the State's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, salvage, subrogation, loss development factors and an estimate for incurred but not reported claims.

The Industrial Commission Fund discounts all benefit reserves at three and one-half percent, except for medical. Medical benefits are discounted at an assumed inflation rate equal to the investment rate of return earned by the Industrial Commission Fund. During fiscal year 2002, claims for seven new insolvent medical insurance companies were assigned to the State Compensation Fund and were included in the Industrial Commission's June 30, 2002 actuarial study. The State Compensation Fund, on behalf of the Industrial Commission, has filed proof of claim requests with ancillary receivers, liquidators holding deposits and surety bonds on these insolvent companies totaling $28 million. Since the actual amount that will ultimately be received cannot be determined, the Industrial Commission will continue to recognize receipt of insolvent carrier deposits (no insurance settlement income) as revenue at the time received rather than recording a receivable.

NOTE 12. COMMITMENTS, CONTINGENCIES AND COMPLIANCE (CONTINUED)

Occasionally, the Risk Management Section agrees with claimants to purchase an annuity contract to settle these specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State requires the claimant to sign an agreement releasing the State from any further obligation. In addition, the State requires that a third party assignment company be named in the contract should the annuity company fail to perform its obligations under the annuity contract. As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2001and June 30, 2002 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2001	$ 213,076	$ 86,652	$ 66,051	$ 233,677
2002	233,677	56,306	55,652	234,331
Industrial Commission Fund:				
2001	157,659	5,241	12,430	150,470
2002	150,470	52,892	15,697	187,665

B. LITIGATION

In *Ladewig vs. Waddell*, Ladewig is a class action tax refund case. The class members are seeking refunds for Arizona income tax paid on dividends received from corporations doing less than 50% of their business in Arizona during the years 1986 through 1989. The trial court held that such taxes violated the Commerce clause of the U.S. Constitution and certified the class. The class certification was upheld by the Arizona Supreme Court in 2001. The Tax Court preliminarily approved a proposed settlement on September 23, 2002. Accordingly the State has recorded a long-term liability in its financial statements in the amount of $350 million.

In *Kerr vs. Waddell*, federal employees claim an income tax refund on taxes paid on federal employee contributions. The Board of Tax Appeals granted these claims for the years before 1991, but has denied the claim for later years. The State did not appeal. The plaintiffs appealed for years after 1990. The Tax Court awarded attorneys fees from refunds the State is paying, and this ruling was upheld on appeal. The State has filed a petition for review. The attorneys' fees will be paid from funds otherwise due to taxpayers, so there will be little monetary effect on the State if the fees are awarded. The Tax Court has denied class certification, and ruled for the Plaintiffs on the merits regarding entitlement to refunds for years after 1990. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, the State could incur losses ranging from $20 million to $100 million.

In *Hurley Trucking vs. Arizona Department of Transportation*, claimants allege that travel on state, county and city roads built on right-of-ways that cross federal land is not taxable. The Court of Appeals ruled in the State's favor. The Arizona Supreme Court denied a Petition for Review, but ordered the Court of Appeals' decision depublished. The Arizona Department of Transportation has issued a denial of the remaining administrative claims, and the deadline for the claimants to protest further has not run. The potential outcome is uncertain at this time. If the case were to have an unfavorable outcome, the State could incur losses ranging from $72 to $250 million.

In *Roosevelt Elementary School District No. 66 vs. State of Arizona,* the plaintiffs allege the State failed to fully fund the Building Renewal Fund established by the Students FIRST legislation. On October 13, 2000, the court held that the State did

NOTE 12. COMMITMENTS, CONTINGENCIES AND COMPLIANCE (CONTINUED)

not violate the statutory provisions regarding funding of the Building Renewal Fund for fiscal year 1998-99. However, the court held that neither part was entitled to summary judgement regarding funding for fiscal year 1999-00, and that in order to prevail on that claim, the plaintiffs would have to demonstrate that they were injured by the alleged underfunding. On February 21, 2002, the court granted the plaintiffs' motion to file an amended complaint, which included similar allegations regarding funding for fiscal year 2001-02. The parties both moved for summary judgment once again regarding the remaining claims in the case (fiscal years 1999-2000 and 2001-02), and on May 7, 2002, the trial court granted the plaintiffs' motion for summary judgment as to both years. The State timely appealed the decision to the Arizona Court of Appeals. The appeal has been fully briefed, but oral argument has not yet been scheduled. It is probable that the State will be required to provide approximately $88 million in additional funding. Accordingly the State has recorded a long-term liability for this amount.

In *Amcore LLC v. Hull, et al*, a class action brought on behalf of individuals and business entities allegedly damaged by the passage of SB 1004 in December 2000, which reduced benefits available to Taxpayers under SB 1504 passed in April 2000. Plaintiffs claim divestiture of vested rights, denial of due process, impairment of contract, violation of equal protection, and equitable estoppel. Plaintiffs are requesting an order declaring SB 1004 unconstitutional, injunctive relief to stop the state from providing benefits under SB 1004, compensatory damages, pre and post-judgment interest and attorneys' fees and costs. The court has conditionally certified the class. The State has filed a motion to dismiss for failure to exhaust administrative remedies and objection to proposed form of notice to class members. A hearing is set for both motions on November 15, 2002. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, the State could incur losses ranging from $30 million to $330 million.

The State has a variety of claims pending against it that arose during the normal course of its activities. Management believes, based on advice of legal counsel, that losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the State. All losses for any unsettled litigation or contingencies involving workers compensation, medical malpractice, construction and design, highway operations, employment practices, criminal justice, fidelity and surety, environmental property damage, general liability, environmental liability, building and contracts, auto liability, or auto physical damage are determined on an actuarial basis and included in the Accrued Insurance Losses of the Internal Service Funds.

C. ACCUMULATED SICK LEAVE

State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1500 hours upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25 percent for 500 hours to a maximum of 50 percent for 1500 hours. The maximum benefit value is $30,000. The benefit is paid out in annual installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the financial statements as an Internal Service Fund and accounts for the retiree accumulated sick leave. Unused accumulated sick leave of employees of the State, excluding Universities, at June 30, 2002, totaled $292.750 million.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires deposit of certain unclaimed assets into a managed Agency Fund. ARS §44-313 requires a separate trust fund of not less than $100 thousand to be retained for prompt payment of claims. The excess amount, above that which is required to be retained, is required to be deposited to the General Fund where it is included as other revenue. Under a statute that took effect July 1, 1990, up to $1.0 million in unclaimed utility deposits is deposited in the Utility Assistance Fund to help low income and elderly people make utility deposits and repairs. Fifty-five and twenty percent of the remaining net cash collected, after refunds, is transferred to the Department of Commerce Housing Fund to be used for low-cost housing and the State Treasurer for distribution as provided for in ARS §5-113, respectively. The balance is to be deposited in the General Fund. For fiscal year 2002, $868 thousand was deposited in the Utility Assistance Fund, $19.762 million was deposited in the Housing Fund, $7.186 million was deposited with the State Treasurer and $7.656 million was deposited in the General Fund. A total of approximately $222.794 million has been remitted since inception of the fund. In addition, the State is also holding stock valued at $20.082 million. The remittances to the General Fund and the holdings by the

NOTE 12. COMMITMENTS, CONTINGENCIES AND COMPLIANCE (CONCLUDED)

State represent contingencies, as claims for refunds can be made by the owners of the property. The Governmental Accounting Standards Board requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. This liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona. At June 30, 2002, this amount, reported as Due to Others in the General Fund, is $89.136 million.

E. CONSTRUCTION COMMITMENTS

The Arizona Department of Transportation had outstanding commitments under construction contracts of approximately $686.200 million at June 30, 2002.

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over $400 thousand for which winners will receive the jackpot in annual installments for the Pick on-line game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, Standard & Poor's, Moody, Duff & Phelps or Weiss. The Lottery remains contingently liable on all annuities. Aggregate future payments to prize winners on existing annuities totaled approximately $352.56 million at June30, 2002. Approximately $251.27 million of the total aggregate future payments relate to annuities purchased from five separate insurance companies, of which approximately $105.09 million relates to a single insurance company.

In 1994, an insurance company from which the Lottery purchased annuities during the period 1983 through 1989 was placed under State supervision. At June 30, 2002, remaining aggregate minimum future payments on such purchased annuities approximated $13.744 million. In 1997, an insurance company from which the Lottery purchased annuities in 1986 was placed under State supervision. At June 30, 2002, remaining aggregate minimum future payments on such purchased annuities approximated $2.854 million. During 1999, an insurance company from which the Lottery purchased annuities in 1984 was placed under State supervision but as of June 30, 2000 was removed from State supervision. At June 30, 2002 remaining aggregate minimum future payments on such purchased annuities approximated $569 thousand. As of September 30, 2002, all three insurance companies were current in their required annuity payments. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the operations or financial position of the Lottery.

NOTE 13. TOBACCO SETTLEMENT

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State received $111.955 million in fiscal year 2002. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a "volume adjustment," which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable, the State did not record a receivable for the future payments at June 30, 2002.

NOTE 14. CONDUIT DEBT

In December 2001, the Greater Arizona Development Authority (GADA) issued $3.1 million Infrastructure Revenue Bonds, Series 2001B for a public infrastructure project in the City of Flagstaff. GADA's bond structure provides lower borrowing costs for Arizona's communities by diversifying the risk to investors and by sharing financing costs among several borrowers. The GADA Fund is leveraged when GADA issues its bonds, which maximizes loan capacity for communities. An intercept

NOTE 14. CONDUIT DEBT (CONCLUDED)

mechanism for intercepting state-shared revenues for loans to political subdivisions enhances the security of the GADA bonds even further.

The State appropriated $20 million to GADA for the express purpose of securing bonds issued by the GADA. The Series 2001B bonds were issued by GADA to make loans to the participant listed above and constitute special and limited obligations of GADA. The principal of and interest on the bonds are payable solely from the funds which are held in Trust by the Trustee (the "Trust Estate"). The Trust Estate includes debt service payments required to be made by the participants in the Series 2001B bond issue. The principal of and interest premium, if any, on the Series 2001B bonds shall not constitute or give rise to a pecuniary liability on the par of the directors and officers of GADA. The Series 2001B bonds do not constitute a legal debt of the State of Arizona and are not enforceable against the State of Arizona. At June 30, 2002 the outstanding face value of the Series 2001B bonds was $3.1 million and the total outstanding face value of all bonds issued by the GADA was $36.3 million.

NOTE 15. SUBSEQUENT EVENTS

On December 1, 2000, the State of Arizona entered into a lease-to-own agreement with Capitol Mall, L.L.C. for the purpose of construction, occupancy and ownership of two office buildings and related parking facilities located on the capital mall. The State began occupying the buildings on July 1, 2002. The State began making lease payments on October 1, 2002. The scheduled lease payments for fiscal year 2003 will total $3.805 million. In addition, the State will pay to Capital Mall, L.L.C., on a monthly basis, all estimated operating costs as additional rent. The estimated operating costs for the 2003 fiscal period is $1.513 million. The lease is not a general obligation or indebtedness of the State. The State shall have the right to cancel and terminate the lease only at the end of its fiscal period in the event that funds are not appropriated by the Arizona State Legislature or the Department of Administration fails to allocate monies for any subsequent fiscal period with respect to this lease. The State shall have the right, during the lease term, to purchase the Capital Mall, L.L.C.'s right, title, and interest in this project.

On July 1, 2002, the State issued the Series 2002B Certificates of Participation to (i) refund all outstanding Certificates of Participation, Series 1992B, dated as of June 1, 1992, originally issued in the amount of $129,640 million and currently outstanding in the amount of $88,645 million, and (ii) to pay the costs of issuing the 2002B Certificates.

Northern Arizona University issued $31.7 million of System Revenue Bonds in August 2002 for various capital projects and renovations on the main campus. These bonds are secured by a first lien on certain gross revenues and are on parity with the Series 1992A, 1997 and 2002 system revenue and system revenue refunding bonds.

On August 15, 2002, the School Facilities Board issued $278.6 million in State School Improvement Revenue Bonds (Series 2002) to (i) pay the costs of correcting existing deficiencies in school facilities throughout the State and (ii) to pay certain Bond Related Expenses. The Series 2002 Bonds are due July 1, 2003 through 2020. Net proceeds totaled $293.6 million (after receipt of $15.5 million in original issue premium and payment of $570 thousand in underwriting fees and cost of issuance).

On August 22, 2002, the Department of Transportation issued $80.5 million in Excise Tax Revenue Bonds (2002 Series) to (i) finance the costs of design, right-of-way purchase, or construction of certain controlled-access highways within Maricopa County, Arizona, (ii) refund in advance of maturity portions of the Department's outstanding Senior Bonds in the aggregate principal amount of $4.550 million and (iii) pay costs of issuing the Bonds. The 2002 Series Bonds are due July 1, 2005 and December 31, 2005. Net proceeds totaled $84.784 million (after receipt of $4.781 million of reoffering premium and payment of $472 thousand in underwriting fees and cost of issuance).

On November 13, 2002, the Department of Transportation issued $156.475 million in Arizona Transportation Board Highway Revenue Bonds, Series 2002B to (i) finance portions of the Board's Five Year Transportation Facilities Construction Program, (ii) advance refund portions of the Board's outstanding Senior Bonds in the aggregate principal amount of $20.405 million and (iii) pay costs of issuing the Series 2002B Bonds. The Series 2002B Bonds are due July 1, 2007 through July 1, 2022. Net proceeds totaled $165 million (after receipt of $9.462 million reoffering premium and payment of $936 thousand in underwriting fees and cost of issuance).

NOTE 15. SUBSEQUENT EVENTS (CONCLUDED)

In December 2002, the State Treasurer announced that the Local Government Investment Pool (LGIP) currently holds $130.986 million of asset-backed securities issued by NPF-12 trust that are serviced by National Century Financial Enterprises (NCFE). Recently, NCFE has come under investigation by the Federal Bureau of Investigation, the Securities and Exchange Commission and various state authorities for possible fraud and violations of federal and state laws. NCFE has since declared bankruptcy and the trustee for the bonds has informed the State Treasurer that the interest payment due December 1, 2002 was not received. It is likely that the LGIP will incur a loss on the total securities held of $130.986 million. Of the resulting loss to the LGIP, the State would be allocated $14.338 million of its proportional share as a pool participant. The State is pursuing legal action to the fullest extent possible to protect the interests of the LGIP participants.

On January 1, 2003, the School Facilities Board issued $372.730 million in State School Certificates of Participation to (i) to finance the costs of acquiring leasehold interests in the School Sites and constructing and equipping thereon certain school facilities, which will be subleased to various school districts within the State of Arizona, and (ii) to pay the costs of issuing the 2003A Certificates. The 2003A Certificates are due September 1, 2004 through 2017. Net proceeds will total $400 million (after receipt of $29.480 million in original issue premium and payment of $2.210 million in underwriting fees and cost of issuance).

In *Somerton Elementary School District No. 66 V. State of Arizona*, the issues raised in this case are identical to those raised in the *Roosevelt Elementary School District* case and it was assigned to the same trial court judge. Therefore, on October 17, 2002, the trial court entered an order concluding that the current level of funding provided by the State for the Building Renewal Fund for fiscal year 2002-03 was unconstitutional, and also requiring the State to "restore the $90 million to the Building Renewal Fund for 2002-03 school year by June 20, 2003." On November 1, 2002, the State filed a Motion for Reconsideration, contending that it was a violation of the separation of powers doctrine for the court to require the State to appropriate monies by a certain date. That Motion has not yet been fully briefed by the parties. The potential outcome is uncertain at this time. If the case were to have an unfavorable outcome, the State may be required to provide approximately $90 million in additional funding.

SUPREME COURT

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
GENERAL FUND			
General Accounting Office			
Classification Salary Adjustments	$ 4,497,400	$ 0	$ 0
General Relief	0	184,305	184,305
Salary Adjustments	4,076,700	105,200	0
Woolsey Flood District	0	46,138	46,138
Military Airport Preservation Committee			
Military Airport Preservation Committee	107,500	107,500	0
Boxing Commission			
Administrative Adjustments	0	830	830
Operating Lump Sum Appropriation	82,100	78,024	76,696
Department of Administration			
Administrative Adjustments	0	980,398	980,398
Arizona Financial Information System	1,906,100	1,906,100	1,551,814
ASDB Phoenix Transportation Building	427,700	427,700	390,055
ASPC Douglas Wastewater Improvements	40,440	21,259	21,259
ASPC Perryville Security Improvements	24,483	24,483	17,800
Building Renewal FY00 - 01	23,325	22,125	20,035
Building Renewal FY96 - 97	2,503	2,503	2,503
Building Renewal FY97 - 98	3,894	7,831	6,717
Building Renewal FY98 - 99	271,651	271,599	268,669
Building Renewal FY99 - 00	178,546	186,913	172,918
Capitol Land Exchange	58	0	0
Capitol Mall Maintenance Compound FY98 - 99	10,411	10,411	2,242
Consumer Loss Recovery Program Operating Costs	781,197	781,197	37,774
DOC Fire and Life Safety FY95 - 96	84,000	1,654	1,654
DOC Reappropriation Prison Lock Replace FY97 - 98	42,617	42,617	0
DYTR 400 Bed High Security	7,855	0	0
DYTR 48 New Beds Black Canyon	2,374	0	0
DYTR Asbestos Abatement	46,945	0	0
DYTR Renovation and Furnishings Residential Cottages	5,350	0	0
ENSCO	4,586,700	4,586,700	4,585,700
High Security Juvenile Facility FY96 - 97	11,084	0	0
High Security Juvenile Facility FY97 - 98	29,528	10,665	5,297
Operating Lump Sum Appropriation	20,464,200	19,477,328	18,434,431
Performance Based Incentives	200,000	200,000	5
PLTO 1 Capital Improvements	889,700	0	0
Sexually Violent Persons Facility	167,942	167,942	56,570
State Electronic Commerce General Fund Appropriation	0	0	0
State Hospital Study and Design FY95 - 96	113,013	113,013	18,640
State Lab Design and Land Acquisition	6,991	0	0
Administrative Adjustment	0	43,497	43,497
Administrative Adjustment	0	41,507	41,507
Administrative Adjustment	0	8,304	8,304
Building Renewal FY00 - 01	1,219,540	1,254,748	1,005,354
Building Renewal FY01 - 02	3,304,000	2,328,801	1,165,150
Building Renewal FY97 - 98	1,352	1,352	1,352
Building Renewal FY98 - 99	148,750	124,750	117,138
Executive Tower Renovations	3,387	3,387	0
Land Acquisition and Planning FY86 - 87	12,979	12,979	0
Operating Lump Sum Appropriation FY01 - 02	2,873,800	2,890,300	2,674,377

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
PLTO 1 Backfill Space Renovations	213,700	213,700	157,913
Relocation FY00 - 01	60,000	60,000	0
Relocation FY01 - 02	60,000	60,000	0
Relocation FY96 - 97	320	320	320
Relocation FY97 - 98	553	553	538
Relocation FY98 - 99	7,609	7,609	7,609
Relocation FY99 - 00	52,936	52,936	4,526
Sexually Violent Persons Facility	719,714	719,714	557,023
Utilities	6,100,000	6,100,000	5,712,372
Administrative Adjustments	0	15,542	15,542
Operating Lump Sum Appropriation	1,357,900	1,363,600	1,297,090
Radiation Regulatory			
Administrative Adjustments	0	14,918	14,918
Off-Site Nuclear Emergency Response Plan	0	451,600	451,600
Operating Lump Sum Appropriation	1,305,400	1,218,549	1,190,123
Office of Equal Opportunity			
Administrative Adjustments	0	58,388	58,388
Governor's Office of Equal Opportunity	238,400	238,900	182,609
Attorney General			
Administrative Adjustments	0	119,505	119,505
Alternative Fuel Program	397,400	58,200	58,200
Capitol Center Expansion	35	35	0
Operating Lump Sum Appropriation	26,712,100	25,755,224	25,681,020
Property Tax Supplemental	301	301	0
State Grand Jury	158,300	158,400	158,219
Victims Rights Implementation	505,000	0	0
Department of Agriculture			
Administrative Adjustments	0	40,303	40,303
Agricultural Employment Relations Board	23,300	23,300	10,495
Animal Damage Control	65,000	65,000	65,000
Operating Lump Sum Appropriation FY01 - 02	12,578,200	11,795,427	11,734,164
Red Imported Fire Ant	355,500	140,000	140,000
Arizona State University			
Capital Outlay - Digital Television Conversion	1,500,000	1,500,000	1,500,000
East Campus - Operating Lump Sum Appropriation	13,604,500	12,971,200	12,971,200
Main Campus - Operating Lump Sum Appropriation	281,238,700	268,213,087	268,213,087
West Campus - Operating Lump Sum Appropriation	39,869,700	37,991,000	37,991,000
Auditor General			
Operating Lump Sum Appropriation FY00 - 01	651,651	651,651	251,580
Operating Lump Sum Appropriation FY01 - 02	13,140,900	12,521,800	11,969,955
Operating Lump Sum Appropriation FY98 - 99	17,718	17,718	11,704
Operating Lump Sum Appropriation FY99 - 00	365,533	365,533	2,756
Banking Department			
Administrative Adjustments	0	2,019	2,019
Operating Lump Sum Appropriation	2,877,500	2,736,966	2,695,439
Board of Nursing			
Fingerprinting Nursing Assistants	90,198	90,198	0
Operating Lump Sum Appropriation	134,400	133,510	125,545
Board of Regents			
Administrative Adjustments	0	1,954	1,954
Arizona Teacher Incentive Plan for the Deaf and Blind	95,000	90,000	90,000

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
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(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Operating Lump Sum Appropriation	2,224,000	2,197,639	2,197,638
Student Financial Aid Trust Fund	2,260,200	2,260,200	2,260,200
Western Interstate Commission Office	99,000	99,000	99,000
WICHE Student Subsidies	3,282,400	2,934,700	2,934,700
Corporation Commission			
Administrative Adjustments	0	47,571	47,571
Operating Lump Sum Appropriation	5,765,800	5,420,089	5,269,574
Railroad Warning Systems FY00 - 01	192,000	192,000	0
Railroad Warning Systems FY99 - 00	177,616	177,616	58,430
Operating Lump Sum Appropriation	36,500	36,600	36,600
Community Colleges Board			
Arizona Transfer Articulation Support System	225,700	224,000	224,000
Capital Outlay - Cochise	743,400	743,400	743,400
Capital Outlay - Coconino	336,800	336,800	336,800
Capital Outlay - Graham	638,800	638,800	638,800
Capital Outlay - Maricopa	8,581,300	8,581,300	8,581,300
Capital Outlay - Mohave	499,400	499,400	499,400
Capital Outlay - Navajo	439,300	439,300	439,300
Capital Outlay - Pima	2,850,900	2,850,900	2,850,900
Capital Outlay - Pinal	682,900	682,900	682,900
Capital Outlay - Yavapai	605,900	605,900	605,900
Capital Outlay - Yuma/LaPaz	741,900	741,900	741,900
Equalization Aid - Cochise	2,113,500	2,113,500	2,113,500
Equalization Aid - Graham	7,655,900	7,655,900	7,655,900
Equalization Aid - Navajo	1,270,300	1,270,300	1,270,300
Equalization Aid - Pinal	96,000	96,000	96,000
Operating Lump Sum Appropriation	781,500	743,705	711,731
Operating State Aid - Cochise	6,321,400	6,013,200	5,976,700
Operating State Aid - Coconino	3,259,700	3,101,000	3,082,300
Operating State Aid - Graham	5,821,700	5,537,900	5,504,400
Operating State Aid - Maricopa	49,973,900	47,538,000	47,249,000
Operating State Aid - Mohave	4,142,000	3,940,200	3,916,200
Operating State Aid - Navajo	4,434,500	4,218,400	4,192,800
Operating State Aid - Pima	20,439,600	19,443,300	19,325,100
Operating State Aid - Pinal	6,276,700	5,970,800	5,934,400
Operating State Aid - Yavapai	5,177,400	4,925,100	4,895,200
Operating State Aid - Yuma/LaPaz	5,746,600	5,466,500	5,433,200
Court of Appeals Division I			
Division I - Administrative Adjustments	0	12,048	12,048
Division I - Operating Lump Sum Appropriation	7,291,800	7,234,800	7,234,716
Charter Schools Board			
Administrative Adjustments	0	2,073	2,073
Operating Lump Sum Appropriation	687,900	651,116	561,689
Court of Appeals Division II			
Division II - Administrative Adjustments	0	5,545	5,545
Division II - Operating Lump Sum Appropriation	3,462,400	3,437,400	3,437,362
Department of Corrections			
Administration	32,819,400	24,517,749	23,954,518
Administrative Adjustments	0	3,236,900	3,236,900
ASPC-D - Mohave Door and Lock Replace FY98 - 99	56,627	56,627	27,029
ASPC-D - Mohave Improve Control Room FY97 - 98	2,103	2,103	0

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
ASPC-D - Papago Housing Renovation FY98 - 99	5,725	5,725	5,046
ASPC-F - North U I Quonset Hut Improvement FY98 - 99	4,210	0	0
Community Corrections	8,961,300	8,777,171	8,614,231
Prison Operations and Services - Education, Treatment, Work Program	40,168,800	38,875,885	37,723,829
Prison Operations and Services - Healthcare	73,848,900	71,298,000	69,261,535
Prison Operations and Services - Inspections and Investigations	5,974,800	7,390,500	7,347,916
Prison Operations and Services - Prison Management and Support	131,002,500	104,236,316	101,446,323
Prison Operations and Services - Private Prisons	20,085,000	21,405,850	20,184,679
Prison Operations and Services - Security	261,292,800	273,723,329	272,560,291
Administrative Adjustments	0	5,646	5,646
Inmate Education, Treatment and Work Programs - Operating Lump Sum Appropriation	1,879,700	2,080,300	2,035,747
Department of Economic Security			
ADM Attorney General Legal Services	345,600	436,500	436,500
ADM Finger Imaging	572,900	573,000	572,900
ADM Lease Purchase Equipment	1,855,100	1,855,100	1,855,100
ADM Operating Lump Sum Appropriation	31,729,000	30,389,000	29,890,400
Administrative Adjustments	0	3,897,860	3,897,860
Coolidge Environmental Impact Study	4,948	4,948	0
DACS Adult Services	11,496,300	10,991,300	10,137,070
DACS Community and Emergency Services	983,500	983,500	871,468
DACS Coordinated Homeless Program	1,155,400	1,155,400	1,060,810
DACS Coordinated Hunger Program	1,286,600	1,286,600	1,234,808
DACS Domestic Violence Legal Assistance	0	200,000	175,496
DACS Domestic Violence Prevention	2,257,900	2,007,900	1,930,234
DACS Domestic Violence Shelter Program FY00 - 01	152,392	152,392	78,601
DACS Domestic Violence Shelter Program FY01 - 02	0	300,000	290,581
DACS Domestic Violence Shelter Program FY99 - 00	73,268	73,268	73,268
DACS Hopi Senior Center	0	285,700	26,510
DACS Hopi Senior Center Kykotsmovi	50,000	50,000	27,903
DACS Information and Referral	115,400	0	0
DACS Long Term Care Ombudsman	359,500	359,500	329,963
DACS Navajo Senior Center FY01 - 02	0	714,300	0
DACS Navajo Senior Center Services	49,995	49,995	(5)
DACS Navajo Senior Centers - Fort Defiance	65,000	65,000	0
DACS Navajo Senior Centers - Birdsprings	65,000	65,000	0
DACS Navajo Senior Centers - Chilchenbento	45,000	45,000	0
DACS Navajo Senior Centers - Chinle	10,000	10,000	0
DACS Navajo Senior Centers - Dilcon	30,000	30,000	0
DACS Navajo Senior Centers - St Michael's	65,000	65,000	63,039
DACS Navajo Senior Centers - White Cone	30,000	30,000	0
DACS Operating Lump Sum Appropriation	5,385,600	5,115,900	5,107,800
DACS/CSAA Food Bank	314	0	0
DBME General Assistance FY01 - 02	4,260,800	5,586,000	5,423,989
DBME Institutional Support Payments	266,400	199,400	182,905
DBME Operating Lump Sum Appropriation	24,502,200	25,252,100	25,252,100
DBME Outreach and Naturalization	250,000	85,000	85,000
DBME TANF Cash Benefits	51,410,700	51,410,700	49,388,806

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
DBME Tribal Pass-Through Funding	4,212,800	4,212,800	4,091,574
DBME Tuberculosis Control	32,200	22,200	20,862
DCSE Attorney General Legal Services	59,300	56,900	56,900
DCSE Central Payment Processing	444,700	444,700	444,700
DCSE Genetic Testing	72,400	36,000	36,000
DCSE Operating Lump Sum Appropriation	4,285,100	4,210,500	4,207,800
DCYF Adoption Services	21,734,800	21,579,200	20,893,052
DCYF Attorney General Legal Services	4,246,400	4,037,400	4,037,400
DCYF Child Severance Project	146,500	0	0
DCYF Children Service FY01 - 02	31,012,200	33,655,100	32,362,160
DCYF Comprehensive Medical and Dental Program	2,779,900	2,779,900	2,329,900
DCYF CPS Appeals	597,800	517,800	517,800
DCYF CPS Incentive Pay Program	240,000	115,200	0
DCYF CPS Substance Abuse Treatment	224,500	224,500	224,500
DCYF Family Builders Pilot FY00 - 01	334,312	334,312	303,470
DCYF Family Builders Pilot FY01 - 02	1,802,800	173,803	172,303
DCYF Healthy Families Pilot	66,568	66,568	66,568
DCYF High Risk Infant Service	686,300	300,300	257,774
DCYF Intensive Family Service	3,035,600	3,035,600	2,729,110
DCYF IV-E Cost Allocation Contingency	0	0	0
DCYF Operating Lump Sum Appropriation	27,588,400	32,185,100	30,910,900
DCYF Permanent Guardianship Subsidy	124,000	124,000	124,000
DDD Arizona Training Program at Coolidge	5,548,200	5,023,700	4,976,545
DDD Case Management	3,055,600	3,888,200	3,888,200
DDD Home and Community Based Services	28,531,500	24,297,300	22,686,208
DDD Institutional Services	294,900	294,900	103,934
DDD Operating Lump Sum Appropriation	4,897,100	4,910,700	4,910,700
DERS Daycare Subsidy	20,481,900	20,481,900	20,481,900
DERS Employment Support Services	7,093,600	4,993,600	4,122,981
DERS Independent Living Rehabilitation Services	902,300	902,300	853,814
DERS Job Search Stipends	93,900	19,000	19,000
DERS JOBS	2,885,100	3,595,500	3,595,500
DERS Operating Lump Sum Appropriation	4,758,100	4,578,900	4,578,900
DERS Project Intervention FY00 - 01	1,000,000	1,000,000	1,000,000
DERS Project Intervention FY01 - 02	1,000,000	0	0
DERS Project Intervention FY99 - 00	22,828	22,828	0
DERS Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000
DERS Summer Youth Program FY00 - 01	1,000,000	1,000,000	1,000,000
DERS Summer Youth Program FY01 - 02	1,000,000	0	0
DERS Summer Youth Program FY99 - 00	1,000,000	1,000,000	1,000,000
DERS Vocational Rehabilitation Services	3,285,100	3,285,100	3,285,100
LTC Arizona Training Program at Coolidge	3,032,500	2,970,800	2,970,800
LTC Case Management	5,742,800	5,662,000	5,662,000
LTC Home and Community Based Services	106,086,600	106,076,200	106,076,200
LTC Institutional Services	3,388,100	3,379,000	3,379,000
LTC Medical Services	16,770,100	16,758,200	16,758,200
LTC Operating Lump Sum Appropriation	5,250,800	5,189,600	5,189,600
State Funded LTC Services	3,459,000	4,614,700	4,461,400
Statewide Building Renewal FY92 - 93	20	20	0
Statewide Building Renewal FY95 - 96	211	211	0
Statewide Building Renewal FY96 - 97	1,770	1,770	0

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
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	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Statewide Building Renewal FY98 - 99	0	3,116	3,116
ADM Attorney General Legal Services	132,300	132,500	97,893
ADM Attorney General Legal Services	14,300	14,300	7,308
ADM Finger Imaging	287,300	287,400	72,808
ADM High Performance Bonus	1,630,023	1,630,023	504,365
ADM Lease Purchase Equipment	645,100	645,100	311,579
ADM Operating Lump Sum Appropriation	5,807,900	7,005,500	5,506,600
ADM Operating Lump Sum Appropriation	1,036,000	1,536,300	1,035,969
ADM Perinatal Substance Abuse Treatment	200,000	200,000	57,143
ADM Public Assistance Collections	168,000	168,200	142,949
ADM Teen Pregnancy Prevention	28,871	28,871	11,874
Administrative Adjustments	0	20,241,154	20,241,154
Administrative Adjustments	0	359,925	359,925
DACS Community and Emergency Services	5,996,000	5,761,035	4,945,789
DACS Coordinated Homeless Program	1,583,200	1,649,475	1,464,432
DACS Coordinated Hunger Program	500,000	500,000	488,711
DACS Domestic Violence Prevention	4,865,900	5,284,590	4,492,819
DACS Emergency Domestic Violence Shelter Services	859,374	859,374	824,163
DACS Marriage and Communication Skills	1,000,000	1,000,000	142,116
DACS Marriage Handbook	71,892	71,892	30,294
DACS Marriage Skills Training	74,032	74,032	(818)
DACS Operating Lump Sum Appropriation	236,800	237,300	100,585
DACS Short Term Crisis Services FY00 - 01	173,174	173,174	125,021
DACS Short Term Crisis Services FY99 - 00	447,902	447,902	447,900
DBME Arizona Works Incentive	1,292,800	1,292,800	761,096
DBME FLSA Supplemental	1,267,200	808,900	752,789
DBME Food Stamp Outreach and Education FY00 - 01	17,815	17,815	16,872
DBME Food Stamp Outreach and Education FY01 - 02	200,000	50,000	43,529
DBME Hopi TANF Start-Up	0	398,000	0
DBME Operating Lump Sum Appropriation	9,917,400	9,342,300	6,754,771
DBME TANF Cash Benefits	44,775,200	81,452,400	79,638,729
DBME Tribal Welfare Reform	1,000,000	920,400	186,658
DCYF Adoption Services	0	1,300,000	0
DCYF Attorney General Legal Services	47,000	747,000	747,000
DCYF Children Services	10,174,300	10,174,300	9,106,635
DCYF Family Builders	6,200,000	6,197,000	6,084,443
DCYF Healthy Families	4,750,000	0	0
DCYF Homeless Youth Intervention FY00 - 01	400,000	400,000	379,100
DCYF Homeless Youth Intervention FY01 - 02	400,000	400,000	327,850
DCYF Operating Lump Sum Appropriation	16,406,100	15,738,500	15,738,500
DCYF Permanent Guardianship Subsidy FY00 - 01	210,803	210,803	204,061
DCYF Permanent Guardianship Subsidy FY01 - 02	859,300	1,159,300	800,623
DCYF Substance Abuse Treatment FY00 - 01	9,945,613	9,945,613	4,402,867
DCYF Substance Abuse Treatment FY01 - 02	3,333,300	333,300	0
DCYF TANF to SSBG	32,066,500	32,066,500	29,783,343
DDD State Funded Long Term Care Services	14,492,400	14,492,600	12,015,463
DERS Accreditation Rates FY00 - 01	500,000	500,000	345,320
DERS Accreditation Rates FY99 - 00	356,000	356,000	356,000
DERS Character Training	166,664	166,664	140,138
DERS Child Care Sliding Fee Scales FY98 - 99	3,159,554	3,159,554	0
DERS Day Care Subsidy	70,381,400	70,331,400	66,441,242

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
DERS Employment Retention and Job Skills FY98 - 99	922,356	922,356	190,447
DERS Enhanced Quality Reimbursement	500,000	0	0
DERS JOBS	20,316,600	15,506,200	15,073,563
DERS JOBS Transportation Projects FY98 - 99	82,617	82,617	46,500
DERS JOBS Work Participation FY98 - 99	23,635	23,635	14,523
DERS JTPA Welfare to Work Block Grant	1,637,492	1,637,492	0
DERS Operating Lump Sum Appropriation	6,038,700	5,399,700	5,335,906
DERS Operating Lump Sum Appropriation	7,159,400	8,770,400	7,984,516
DERS Out of School Programs	0	4,000,000	0
DERS Parenting Training FY00 - 01	9,972	9,972	(355)
DERS Parenting Training FY99 - 00	51,508	51,508	10,302
DERS Post-Shelter Training FY00 - 01	630	630	(282)
DERS Post-Shelter Training FY99 - 00	245,160	245,160	28,761
DERS Reed Act Operating Lump Sum	3,578,000	3,578,000	0
DERS TANF Accreditation Rates FY00 - 01	500,000	500,000	345,320
DERS TANF Accreditation Rates FY99 - 00	356,000	356,000	356,000
DERS TANF Day Care Subsidy Care	22,599,300	25,568,300	20,420,705
DERS TANF Transitional Child Care	28,383,700	24,483,100	22,740,989
DERS Transitional Child Care	2,044,300	0	0
DERS Vocational Education Grants FY98 - 99	408,134	408,134	11,685
DERS Wheels to Work Program FY98 - 99	93,130	93,130	92,010
DERS Workforce Investment Act Operating Lump Sum	1,817,900	1,821,300	0
DERS Workforce Investment Act Programs	46,070,600	45,770,600	42,450,152
DERS Work-Related Transportation	3,302,200	3,302,200	2,191,849
DERS Young Father Mentoring FY98 - 99	719,806	719,806	358,750
General Fund Transfer 2nd Special Session Chapter 4	0	9,394,000	9,394,000
LTC Arizona Training Program at Coolidge	11,216,600	11,847,500	0
LTC Case Management	19,355,100	19,404,200	0
LTC Home and Community Based Services	287,792,900	273,869,900	0
LTC Institutional Services	11,411,200	13,619,300	0
LTC Medical Services	54,794,200	59,298,100	0
LTC Operating Lump Sum Appropriation	18,554,900	19,584,700	0
Workforce Investment Act Grant Operating Lump Sum	0	300,000	0
Building Renewal FY98 - 99	0	24,000	24,000
Statewide Building Renewal FY01 - 02	0	255,700	255,700
Administrative Adjustments	0	6,639,029	6,639,029
DCSE Attorney General Legal Services	5,204,200	5,215,700	4,640,556
DCSE Central Payment Processing	3,088,600	3,288,600	2,296,036
DCSE County Participation	10,066,300	10,446,300	8,163,448
DCSE Genetic Testing	723,600	343,600	193,281
DCSE Operating Lump Sum Appropriation	31,024,600	30,888,900	26,201,107
Department of Juvenile Corrections			
Administrative Adjustments	0	778,565	778,565
BCS Electrical Repair	1,200	1,200	0
Building Renewal FY94 - 95	3,794	3,794	0
Operating Lump Sum Appropriation FY01 - 02	67,624,600	64,341,786	62,949,725
Renovation Construction FY94 - 95	97	97	0
Renovation Construction FY95 - 96	209	209	0
Administrative Adjustments	0	9,619	0
Adobe Mountain Kitchen Building Renewal	0	18,000	0

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Building Renewal FY91 - 92	39	39	0
Operating Lump Sum Appropriation	3,706,000	3,712,500	2,708,594
Department of Transportation			
Administrative Adjustments	0	2,557	2,557
Operating Lump Sum Appropriation	7,138,800	3,585,713	3,582,025
Department of Education			
Accountability Measures	50	50	0
Achievement Testing	5,479,000	6,579,000	5,461,269
Additional State Aid to Schools	219,581,000	231,723,700	230,896,372
Administrative Adjustments	0	1,472,370	1,472,370
Adult Education Assistance	4,593,600	4,542,575	4,366,113
AIMS Intervention and Dropout Prevention Program	550,000	550,000	510,165
Arizona Teacher Evaluation Program	202,000	193,920	150,768
Assistance to School Districts for Children of State Employees	35,200	107,500	99,459
Basic State Aid Entitlement	2,288,120,700	2,289,692,700	2,285,949,250
Career Ladder Administration	85,500	82,080	79,422
Certificates of Educational Convenience	859,700	859,700	269,862
Certification Investigations	227,000	217,920	217,920
Charter Schools - State Board	206,900	198,624	181,331
Charter Schools Administration	151,200	145,152	126,286
Chemical Abuse	865,300	843,870	768,666
English Learner	0	158,080	27,233
English Learner Instruction	0	3,080,000	0
Extended School Year	500,000	500,000	498,241
Extraordinary Special Education Needs	1,000,000	0	0
Family Literacy Program FY01 - 02	1,000,500	1,000,500	982,241
Family Literacy Program FY98 - 99	1,373	1,373	0
Gifted Support	1,297,700	1,297,700	1,291,642
Joint Technological Education Districts	250,000	250,000	0
Operating Lump Sum Appropriation	281,583	270,483	266,164
Operating Lump Sum Appropriation	6,848,617	6,507,742	6,246,692
Optional Performance Incentive Programs	120,000	120,000	120,000
Research Based Systematic Phonics Instruction	1,000,000	1,000,000	992,526
Residential Placement	100,000	10,000	10,000
School Accountability Fund - Proposition 301 Account	5,856,000	29,161,900	26,416,681
School Report Cards	492,400	472,704	288,524
School Safety Program FY00 - 01	743,283	743,283	737,441
School Safety Program FY01 - 02	7,917,300	6,703,215	6,659,167
School Safety Program FY98 - 99	34,178	34,178	0
School Safety Program FY99 - 00	11,848	11,848	11,848
Small Pass-Through Programs	581,600	581,600	581,600
Special Education Audit	322,200	287,200	207,582
Special Education Fund	22,849,200	25,178,700	23,965,700
State Block Grant for Early Childhood Education	19,495,400	19,476,805	19,386,727
State Block Grant for Vocational Education	11,133,900	11,093,810	11,093,810
Teacher Certification	1,017,500	1,019,700	1,001,383
Vocational Education Extended Year	600,000	600,000	528,801
Department of Commerce			
Administrative Adjustments	0	18,607	18,607
Agriculture Preservation District	0	500,000	32,115
APNE	0	750,000	31,350

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Apprenticeship Services Office	152,900	152,818	134,585
High Technology Clusters	36	36	0
Motion Picture Development	640,400	589,524	559,866
NAFTA Agreement Projects	38,042	38,042	265
NAFTA Projects - Initial Phase	19,874	19,874	0
Operating Lump Sum Appropriation	4,169,100	3,725,363	3,561,237
Special Needs Housing	0	0	0
Administrative Adjustments	0	3,909	3,909
Administrative Adjustments	0	20,895	20,895
General Fund Transfer 2nd Special Session Chapter 4	0	10,000,000	10,000,000
General Fund Transfer 2nd Special Session Chapter 4	0	4,700,000	4,700,000
Housing Development Fund FY97 - 98	500,000	500,000	500,000
Housing Development Fund FY98 - 99	500,000	243,385	243,385
Operating Lump Sum Appropriation	115,700	115,800	103,047
Board of Tax Equalization			
Administrative Adjustments	0	1,522	1,522
Operating Lump Sum Appropriation	644,300	611,325	591,738
Department of Environmental Quality			
Administrative Adjustments	0	16,556	16,556
All Other Operating Expenditures	2,024,100	3,225,313	2,926,892
Aquifer Protection Permit Program	783,700	783,700	775,959
Banking/Trading Study	25,000	25,000	0
Catalytic Converter Replacement Program	15,889	15,889	0
Clean Water Revolving Fund	1,443,200	1,443,200	1,443,200
Employee Related Expenditures	1,877,300	1,823,160	1,823,160
Environmental Health Reserve FY94 - 95	101,958	101,958	0
Environmental Health Reserve FY95 - 96	250,000	250,000	0
Environmental Health Reserve FY96 - 97	100,000	100,000	0
Personal Services	9,122,200	6,924,840	6,924,840
Safe Drinking Water Revolving Fund	1,551,900	1,551,900	1,551,900
Underground Storage Tank Policy Commission	1,994	1,994	1,994
Used Oil	126,800	126,800	126,800
Geological Survey			
Administrative Adjustments	0	4,125	4,125
Operating Lump Sum Appropriation	924,700	881,340	878,084
Government Information Technology			
No Wrong Door	232,700	232,700	0
Year 2000 - Agency Projects	0	0	0
Governor's Office			
Arizona - Sonora Study Implementation FY00 - 01	10,200	10,200	5,000
Border Volunteer Corps FY94 - 95	37,631	37,631	2,926
Border Volunteer Corps FY95 - 96	74,888	74,888	3,343
Governor's Office for Excellence in Government	1,602,200	1,520,560	1,289,490
Governor's Office of Strategic Planning and Budgeting	1,962,900	1,863,700	1,808,203
Governor's Telecommunication	504	504	0
Office of Sonora	7,783	7,783	0
Operating Lump Sum Appropriation FY00 - 01	287,840	287,840	(54,830)
Operating Lump Sum Appropriation FY01 - 02	6,351,400	6,056,829	5,761,621
Operating Lump Sum Appropriation FY91 - 92	461	461	461
Operating Lump Sum Appropriation FY94 - 95	1,311	1,311	1,311
Operating Lump Sum Appropriation FY96 - 97	1	1	0

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Operating Lump Sum Appropriation FY97 - 98	85,559	85,559	85,559
Operating Lump Sum Appropriation FY98 - 99	123,782	123,782	123,782
Operating Lump Sum Appropriation FY99 - 00	254,993	254,993	27,368
Protocol	9,220	9,220	9,220
Operating Lump Sum Appropriation	25,000	25,000	14,029
Arizona Health Care Cost Containment System			
Administrative Adjustments	0	1,879,280	1,879,280
Apache County Claims for Tribal Members	681,296	681,296	478,275
Breast and Cervical Cancer Treatment	0	52,730	0
Breast and Cervical Cancer Treatment Program	0	1,247,270	3,677
Budget Neutrality Compliance Deposit	0	70,055,900	69,331,100
Capitation	231,844,300	229,144,644	228,070,261
County Net Loss Offset	0	5,432,500	5,432,500
Critical Access Hospitals	0	128,991	65,153
DES Eligibility	22,615,200	22,669,400	22,615,200
DES Title XIX Pass Through	130,000	130,200	130,000
DHS Title XIX Pass Through	942,000	943,500	547,975
Disproportionate Share Payments	0	37,777,440	30,685,890
DOA Data Center Charges	1,760,000	1,623,000	1,376,895
Fee for Service	30,283,700	29,695,500	23,542,406
Finger Imaging	950,000	200,000	200,000
Freedom to Work Program Expense General	0	0	
Graduate Medical Education	6,508,500	6,508,500	6,508,467
Indian Advisory Council	114,100	109,600	92,474
Medical Services Stabilization Fund Reimbursement for Decreased FY01 Disproportionate Share Revenue	0	13,405,600	13,405,600
Medicare Premiums	9,315,500	9,515,500	9,487,520
Mental Health - Adults	42,763	42,763	0
Navajo County Claims for Tribal Members	561,290	561,290	544,847
Operating Lump Sum Appropriation	31,879,800	30,240,800	28,544,517
Operating Lump Sum Appropriation	48,318,100	49,623,400	44,903,374
Reinsurance	18,553,100	18,260,769	15,225,614
State Emergency Services	0	8,421,593	8,421,593
State Emergency Services	0	1,100,000	0
Administrative Adjustments	0	1,269,312	1,269,312
Breast and Cervical Cancer Treatment Fed Administration	0	52,730	0
Breast and Cervical Cancer Treatment Fed Program	0	756,470	10,609
Capitation	698,923,600	768,146,300	765,750,987
Critical Access Hospitals	0	1,108,100	120,891
DES Eligibility	22,532,500	22,532,500	19,981,905
DES Title XIX Pass Through	174,800	174,800	88,022
DHS Title XIX Pass Through	752,600	752,600	541,525
Dialysis Chemotherapy Treatment Expense	0	2,822,700	1,267,092
Disproportion Share Payments	23,369,800	70,096,500	56,938,010
DOA Data Center Charges	3,774,100	3,911,100	3,301,007
Fee for Service	281,217,900	235,287,300	224,717,117
Freedom to Work Program Expense Federal	0	346,400	0
General Fund Transfer 2nd Special Session Chapter 4	0	3,000,000	3,000,000
Graduate Medical Education	15,174,700	15,174,700	12,076,533
Indian Advisory Council	110,900	106,300	87,156
Medicare Premiums	24,138,600	24,138,600	19,606,340

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

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(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Mental Health - Adults FY91 - 92	45,368	45,368	0
Office of Administrative Hearings	174,200	325,200	238,757
Operating Lump Sum Appropriation	36,644,300	38,530,600	33,128,509
Reinsurance	34,670,200	37,641,200	33,218,390
Administrative Adjustments	0	11,255,016	11,255,016
Board of Nursing	209,700	209,700	209,700
Program Lump Sum Appropriation	584,650,800	586,310,300	578,970,922
Housing Development Board			
Special Needs Housing	77,800	0	0
Operating Lump Sum Appropriation	0	501,930	0
Office of Administrative Hearings			
Administrative Adjustments	0	6,119	6,119
Operating Lump Sum Appropriation	1,251,100	1,193,538	1,193,538
Operating Lump Sum Appropriation	1,118,600	1,120,200	936,124
Operating Lump Sum Appropriation	13,800	13,800	8,803
Historical Society			
ADA Survey FY94 - 95	5,000	5,000	0
Administrative Adjustments	0	3,296	3,296
Historical Society Grants	80,000	80,000	80,000
Operating Lump Sum Appropriation	2,309,585	2,222,838	2,222,838
Papago Park Museum	2,325,115	2,195,031	2,195,031
House of Representatives			
Operating Lump Sum Appropriation FY00 - 01	908,342	908,342	52,103
Operating Lump Sum Appropriation FY01 - 02	12,147,600	11,408,116	10,978,382
Operating Lump Sum Appropriation FY95 - 96	250	250	250
Operating Lump Sum Appropriation FY96 - 97	183	183	0
Operating Lump Sum Appropriation FY97 - 98	33,238	33,238	0
Operating Lump Sum Appropriation FY98 - 99	120,465	120,465	183
Operating Lump Sum Appropriation FY99 - 00	381,522	381,522	21,147
Department of Health Services			
90/91 Environmental Assessment Phoenix	8,849	8,849	0
ADA Compliance	986	986	0
Administrative Adjustments	0	5,064,748	5,064,748
Adult Cystic Fibrosis	223,600	210,400	205,928
Adult Sickle Cell Anemia	70,100	65,900	64,498
AHCCCS - Children's Rehabilitative Services	10,646,600	10,646,600	10,646,600
AIDS Reporting and Treatment	125,000	125,000	93,756
All Other Operating Expenditures	4,759,600	4,733,200	4,354,721
All Other Operating Expenditures	1,310,900	1,310,900	1,098,047
All Other Operating Expenditures	788,100	711,100	576,372
All Other Operating Expenditures	1,732,700	1,707,700	1,526,143
All Other Operating Expenditures	8,851,700	10,126,600	9,230,667
Alzheimer's Disease Research	1,000,000	1,000,000	1,000,000
Arnold v. Sarn	19,500,000	19,500,000	19,500,000
ASH - Condensate Receiver	4,700	4,700	0
ASH - Granada Hall Windows	325	325	0
ASH - JCAHO Accreditation Phase II	77	77	0
ASH - Juniper/Wickenburg Fire Life Safety Improvements	517	517	0
ASH - Juniper/Wickenburg Roofs	1	0	0
ASH - Juniper/Wickenburg Windows	83,231	18,231	9,437
ASH Information System	38,816	38,816	0

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

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GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Assurance and Licensure	6,280,600	6,321,300	6,035,192
Building Renewal FY96 - 97	30	30	0
Children's Behavioral Health Services	10,137,700	9,351,800	9,304,033
Children's Behavioral Health State Match for Title XIX	33,384,400	37,939,200	37,939,200
Children's Physical Activities Program	0	0	0
Children's Rehabilitative Services	3,693,800	3,587,000	3,513,124
Cholla - Sexual Predator	11,655	11,655	0
Clean HVAC Ducts - Juniper/Wickenburg	388	388	0
Client Satisfaction Incentive Program	100,000	0	0
Community Placement Treatment	0	5,609,200	5,608,600
Computer Hardware Lease	250,000	125,000	125,000
County Prenatal Services Grant	1,281,100	1,208,500	1,208,378
Court Monitoring	205,700	197,500	197,500
Direct Grants	578,000	578,000	578,000
Employee Related Expenditures	1,605,200	1,521,400	1,521,400
Employee Related Expenditures	1,012,800	998,700	998,699
Employee Related Expenditures	572,000	554,700	550,797
Employee Related Expenditures	516,400	489,500	478,406
Employee Related Expenditures	5,140,000	4,639,200	4,634,949
Environmental Assessment Phoenix	2,369	2,369	0
Health Start Program FY00 - 01	131,314	131,314	79,338
Health Start Program FY01 - 02	1,205,000	5,700	0
Health Start Program FY99 - 00	64,135	64,135	50,077
High Risk Perinatal Services	3,379,000	3,180,600	2,279,656
Kidney Program	101,000	101,000	92,583
Laboratory Services	3,149,300	3,032,900	2,936,965
Loan Repayment Services	100,000	100,000	65,861
Male Restoration to Competency Program	510,797	510,797	445,248
Mental Health and Substance Abuse State Match	8,726,200	11,871,600	11,871,600
Mental Health Non-Title XIX	9,862,100	4,423,644	4,423,600
Nutrition Services FY01 - 02	390,100	367,000	299,952
Obstetrics Malpractice Premium	2,900	2,900	0
Personal Services	7,089,800	6,424,700	6,424,700
Personal Services	4,135,800	4,026,600	3,982,619
Personal Services	2,441,600	2,308,700	2,308,490
Personal Services	2,006,700	1,904,600	1,826,708
Personal Services	20,700,200	18,190,700	18,182,828
Provider Loan Repayment Program	25,747	25,747	15,000
Psychiatric Review Board	86,100	82,800	76,317
RBHA Client Encounter Reports	1,848,900	0	0
Reimbursement to Counties	396,300	357,400	357,400
Self - Care Unit	183,024	183,024	72,837
Seriously Emotionally Handicapped Children	4,375,300	4,200,300	3,322,119
Seriously Mentally Ill Non-Title XIX	57,308,800	36,164,000	36,105,456
Seriously Mentally Ill State Match for Title XIX	34,671,700	38,563,000	38,563,000
Sexually Transmitted Disease Control	52,500	52,500	43,983
Sexually Violent Persons	9,049,500	9,459,600	9,054,190
Substance Abuse Non-Title XIX	13,635,400	12,616,800	12,614,200
Suicide Prevention Program	0	140,000	0
Teenage Pregnancy Prevention Task Force	250,000	0	0
Tuberculosis Provider Care and Control	1,082,000	1,082,000	872,000

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Vaccines	3,415,100	2,351,800	2,350,101
Vital Records	271,201	271,201	176,740
Administrative Adjustments	0	175,821	175,821
Family Health - Out of Wedlock Pregnancy Prevention	2,513,300	6,300	0
TANF Perinatal Services FY01 - 02	450,000	275,274	187,500
TANF Perinatal Services FY99 - 00	48,782	48,782	1,525
Administrative Adjustments	0	2,818,917	2,818,917
Arizona State Hospital Accreditation	3,140	3,140	0
ASH Community Placement Treatment	0	1,095,600	0
ASH Employee Related Expenditures	0	657,000	654,430
ASH Personal Services	0	4,818,000	4,716,377
Building Renewal - Tucson FY00 - 01	36,539	36,539	30,429
Building Renewal - Tucson FY01 - 02	75,800	75,800	544
Building Renewal - Tucson FY98 - 99	2,221	2,221	0
Building Renewal - Tucson FY99 - 00	47,373	47,373	4,611
Administration - Indirect Cost Fund	7,764,400	7,773,600	4,852,607
Administrative Adjustments	0	51,457	0
General Fund Transfer 2nd Special Session Chapter 4	0	2,397,700	1,454,301
General Fund Transfer 2nd Special Session Chapter 4	0	225,000	225,000
Children's Behavioral Health Services -			
Tobacco Settlement Account	15,840,279	15,840,279	4,382,367
Commission on the Arts			
Arts Endowment Fund	2,000,000	0	0
Community Service Projects	1,775,000	1,775,000	1,775,000
Operating Lump Sum Appropriation	618,100	597,243	597,243
Indian Affairs Commission			
Administrative Adjustments	0	937	937
Indian Town Hall FY96 - 97	100	100	0
Operating Lump Sum Appropriation	235,200	224,537	222,430
Occupational Safety and Health			
Employee Related Expenditure FY91 - 92	75	75	0
Operating Lump Sum Appropriation FY00 - 01	1,000	1,000	0
Operating Lump Sum Appropriation FY01 - 02	7,000	6,947	0
Operating Lump Sum Appropriation FY97 - 98	1,059	1,059	960
Operating Lump Sum Appropriation FY98 - 99	9,000	9,000	0
Operating Lump Sum Appropriation FY99 - 00	1,000	1,000	0
Personal Services FY91 - 92	53	53	0
Insurance Department			
Administrative Adjustments	0	12,206	12,206
Captive Insurer	0	93,000	43,095
Managed Care Oversight FY00 - 01	163,548	163,548	1,602
Managed Care Oversight FY01 - 02	633,000	491,577	466,415
Managed Care; Health Care Appeals FY97 - 98	9,592	9,592	0
Operating Lump Sum Appropriation	5,706,700	5,528,800	5,335,076
Arizona Criminal Justice Commission			
Child Pornography Prosecution	75,000	75,000	50,669
County Jail Juvenile Improvement	850,000	850,000	850,000
Crime Victim Compensation	250,000	250,000	250,000
Domestic Violence Prosecution	66,000	66,000	33,640
Obscenity Crimes Prosecution FY00 - 01	21,959	21,959	0
Obscenity Crimes Prosecution FY01 - 02	250,000	250,000	206,641

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
State Aid to County Attorneys Fund	648,300	648,300	648,300
State Aid to Indigent Defense Fund	615,900	615,900	615,900
Street Gang Prosecution	1,000,000	862,111	777,058
Joint Legislative Budget Committee			
Operating Lump Sum Appropriation FY00 - 01	1,027,827	1,027,827	1,027,827
Operating Lump Sum Appropriation FY01 - 02	2,469,500	2,299,700	1,148,048
Department of Library and Archives			
Grants-In-Aid	651,400	651,400	522,743
Museum Furnishings FY90 - 91	2,372	2,372	0
Operating Lump Sum Appropriation FY00 - 01	252,055	252,055	146,451
Operating Lump Sum Appropriation FY01 - 02	7,197,700	6,813,700	6,730,224
Operating Lump Sum Appropriation FY99 - 00	2,034	2,034	2,034
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
Supplemental - State Grants-In-Aid	22,904	22,904	22,904
Legislative Council			
Juvenile Study	19,520	19,520	0
Ombudsman Citizens Aid Office	356,900	356,900	327,362
Ombudsman FY93 - 94	43,000	43,000	0
Ombudsman FY94 - 95	95,169	95,169	0
Operating Lump Sum Appropriation	98,000	18,345	18,345
Operating Lump Sum Appropriation FY00 - 01	660,501	660,501	196,786
Operating Lump Sum Appropriation FY01 - 02	5,021,200	4,737,955	4,593,059
Operating Lump Sum Appropriation FY99 - 00	1,070,092	1,070,092	179,772
Land Department			
Administrative Adjustments	0	96,590	96,590
Dust Abatement	480	480	480
Environmental Programs to Counties FY00 - 01	71,350	71,350	71,350
Environmental Programs to Counties FY01 - 02	0	125,000	0
Growing Smarter	1,489	1,489	1,489
In-State Fire Costs	0	5,700,000	5,700,000
Natural Resource Conservation Districts	490,000	490,000	482,432
Operating Lump Sum Appropriation	14,547,400	13,617,695	13,488,539
Operating Lump Sum Appropriation	1,004,400	1,300	0
Liquor Licensing Department			
Administrative Adjustments	0	17,328	17,328
Operating Lump Sum Appropriation	2,587,400	2,468,708	2,439,113
Law Enforcement Merit System			
Operating Lump Sum Appropriation	56,900	56,575	56,332
Emergency Management and Military Affairs			
977-DR Buy-Out of Flooded Residences	5	5	0
Administrative Adjustments	0	237,401	237,401
Airport Security Terrorist Emergency	0	8,111	8,111
Civil Air Patrol	61,500	58,625	58,625
Clifton Flood Control Project	0	650,000	650,000
Cochise County Monsoon FY00 - 01	275,078	275,078	261,018
Cochise County Monsoon FY01 - 02	0	376,459	0
Cochise County Monsoon FY99 - 00	114,661	114,661	114,661
Douglas Armory Roof Lighting Fire Alarm	0	0	0
EUZ701 Search and Rescue FY00 - 01	14,850	14,850	14,843
EUZHAZ - Hazard Material Contingency FY00 - 01	30,253	30,253	13,018
EUZHAZ - Hazard Material Contingency FY01 - 02	0	25,000	328

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Fire Alarm Systems - 8 Armories	138,404	138,404	125,085
Flagstaff Furnace Replacement	1,151	1,151	0
Gila County Water Emergency	24,528	16,639	16,639
La Paz/Maricopa Counties Storm Emergency FY00 - 01	284,649	284,649	108,865
La Paz/Maricopa Counties Storm Emergency FY01 - 02	0	127,613	173
Marana Tactical Equipment Park FY90 - 91	18,753	18,753	0
Maricopa County/Southwest Arizona Monsoon	0	14,238	14,238
Mesa Armory Re-roofing	1,325	1,325	0
National Guard Tuition Reimbursement	726,800	625,233	392,827
Navajo, Gila and Coconino Counties Rodeo Fire	0	100,000	27,940
Nuclear Emergency Management Fund	0	283,379	283,379
Nuclear Emergency Management Fund Maricopa	0	189,799	189,799
Operating Lump Sum Appropriation	844,315	772,488	771,269
Operating Lump Sum Appropriation	3,668,774	3,482,454	3,476,299
Prescott Armory Roof Repair FY98 - 99	96	0	0
Project Challenge Construction FY00 - 01	87,090	87,090	80,564
Project Challenge Construction FY01 - 02	0	250,000	69,966
Project Challenge Construction FY99 - 00	521,295	521,295	521,295
Project Challenge Program FY01 - 02	1,513,611	1,484,461	1,472,886
Project Challenge Program FY97 - 98	4,130	4,130	0
Project Challenge Program FY98 - 99	1,509	1,509	0
Queen Creek Fire Emergency	0	129,105	129,105
Safford Armory Building Renewal FY94 - 95	10,978	10,978	0
Santa Cruz County Monsoon	811,076	811,076	705,304
Santa Cruz County Monsoon FY99 - 00	40,960	40,960	40,960
Search and Rescue FY01 - 02	0	100,000	94,021
September Terrorism Incident Emergency	0	2,845,928	2,411,088
Service Contracts FY00 - 01	361,780	361,780	361,780
Service Contracts FY01 - 02	852,300	852,300	731,554
Silverlake Armory Fire Alarm Installation	2,453	2,453	1,470
STARC Armory Addition FY91 - 92	16	16	0
Tropical Winter Storm	480,104	480,104	(54,059)
Vehicle Maintenance Construction FY95 - 96	53,000	0	0
Yavapai Indian Fire Emergency	0	200,000	24,257
Nogales and 52nd Street Building Renewal	0	50,000	0
Off-Site Nuclear Emergency FY89-90	1,708	1,708	0
Roosevelt Building Renewal	0	140,988	82,792
Safford and Sunnyslope Building Renewal	0	160,000	159,859
STARC HVAC Replacement	42,565	43,844	42,453
Mine Inspector			
Abandoned Mines Safety Fund	30,000	0	0
Administrative Adjustments	0	8,743	8,743
Mined Land Reclamation	516	516	0
Operating Lump Sum Appropriation	1,224,600	1,189,941	1,180,840
Department of Building and Fire Safety			
Administrative Adjustments	0	35,146	35,146
Operating Lump Sum Appropriation	3,671,100	3,501,570	3,400,585
Mines and Mineral Resources			
Administrative Adjustments	0	1,153	1,153
Operating Lump Sum Appropriation	770,300	735,386	734,894

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Medical Student Loans Board			
Medical Student Loans	285,500	283,358	283,358
Medical Student Loans	64,900	64,900	64,900
Northern Arizona University			
Main Campus - Operating Lump Sum Appropriation	115,093,100	109,654,939	109,654,939
NAU - Yuma Campus	2,320,000	2,320,000	2,320,000
K-12 Center Character Education Program	500,000	230,000	209,464
Temporary Assistance for Needy Families	446,563	446,563	13,107
Navigable Streams Adjudication Commission			
Operating Lump Sum Appropriation FY00 - 01	1,033	1,033	252
Operating Lump Sum Appropriation FY01 - 02	187,300	178,662	155,862
Osteopathic Examiners Board			
Operating Lump Sum Appropriation	0	0	0
Personnel Board			
Administrative Adjustments	0	738	738
Operating Lump Sum Appropriation	400,300	381,646	291,985
Commission for Postsecondary Education			
All Other Operating Expenditures	46,000	46,000	45,958
Employee Related Expenditures	9,800	9,800	9,800
Personal Services	48,000	48,000	48,000
Postsecondary Voucher Program	400,000	318,789	318,589
State Student Incentive Grant	1,220,800	1,220,800	1,220,800
Prescott Historical Society			
Administrative Adjustments	0	3,987	3,987
Operating Lump Sum Appropriation	766,900	732,294	723,118
Pioneer's Home			
Administrative Adjustments	0	3,245	3,245
Building Renewal FY94 - 95	3,538	3,538	0
Employee Related Expenditures	483,500	33,000	33,000
Food	231,800	0	0
Personal Services	1,644,400	16,200	1,553
Prescription Drugs	165,300	0	0
Professional and Outside Services	162,700	0	0
Travel In-State	19,200	0	0
Board of Executive Clemency			
Administrative Adjustments	0	3,574	3,574
Operating Lump Sum Appropriation	1,345,500	1,283,123	1,281,826
Parks Board			
Administrative Adjustments	0	7,831	7,831
Building Renewal - McFarland Courthouse Roof	87,344	86,005	86,005
Growing Smarter - Land Conservation Fund	0	20,000,000	20,000,000
Kartchner Caverns Operating	596,600	117,500	117,500
Operating Lump Sum Appropriation	7,461,700	7,377,625	7,237,842
Spur Cross Ranch Acquisition FY00 - 01	74,500	74,500	0
Spur Cross Ranch Acquisition FY01 - 02	0	1,250,000	1,249,500
Acquisition and Development	2,368,612	2,368,612	1,322,014
Administrative Adjustments	0	13,467	13,467
Building Renewal - Yuma Prison Museum Roof	0	30,000	0
Kartchner Caverns Operating	787,300	1,266,400	1,167,193
Operating Lump Sum Appropriation	3,328,800	3,265,900	2,605,873

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Department of Public Safety			
Administrative Adjustments	0	96,503	96,503
Agency Support Program	21,128,400	11,852,739	11,852,739
Board of Fingerprinting General Fund Transfer	61,700	61,900	61,900
Building Renewal - Project 91-1017	2,205	2,205	2,205
Building Renewal - Project 91-1018	32,192	32,192	31,828
Computer Crimes	47,764	47,764	47,764
Criminal Investigation Program	15,505,600	15,126,000	15,126,000
Criminal Justice Support Program	21,225,900	11,348,100	11,348,100
DNA Testing	45,235	45,235	45,235
Governor's Office of Highway Safety Program	0	10,600	10,600
Highway Patrol Officers	4,321	4,321	4,321
Highway Patrol Program	12,598,500	4,799,500	4,799,500
Project G.I.T.E.M.	6,172,400	5,712,678	5,676,196
Sex Offender Web Site	158,135	158,135	85,091
Sex Offenders Notification Employees	6,288	6,288	0
Building Renewal - Project 91-1036	98	0	0
Building Renewal - Project 91-2057	0	26,500	19,157
Building Renewal - Project 91-2058	0	36,000	36,000
Building Renewal - Project 91-2059	0	39,139	39,139
Building Renewal - Project 91-2060	0	24,500	24,355
Building Renewal - Project 91-2061	0	30,000	24,402
Building Renewal - Project 91-2066	0	28,068	28,068
Building Renewal - Project 91-2072	0	4,305	4,305
Building Renewal - Project 91-2074	0	5,500	5,275
Fingerprinting Division	62,200	62,400	61,900
General Fund Transfer 2nd Special Session Chapter 4	0	156,000	156,000
Racing Department			
Administrative Adjustments	0	10,608	10,608
Operating Commercial Racing	2,822,800	2,668,422	2,625,876
Independent Redistricting Commission			
Operating Lump Sum Appropriation	5,753,685	5,753,685	3,339,002
Real Estate Department			
Administrative Adjustments	0	3,800	3,800
Operating Lump Sum Appropriation	3,265,800	3,115,065	3,110,815
Ranger's Pension			
Operating Lump Sum Appropriation	11,800	11,800	11,800
Retirement System			
James J. Burke v. ASRS, Attorney Fees and Costs FY00 - 01	0	6,300,000	2,819,181
James J. Burke v. ASRS, Attorney Fees and Costs FY99 - 00	578,266	578,266	578,266
Department of Revenue			
Administrative Adjustments	0	291,297	291,297
Alternative Fuel	545,300	520,300	454,891
Computer Project	339,100	0	0
Operating Lump Sum Appropriation	61,139,100	59,200,229	57,655,254
Property Class Consolidation FY00 - 01	1,426	1,426	0
Property Class Consolidation FY99 - 00	5,220	5,220	0
Refund Offset Program	0	126,250	126,250
Administrative Adjustments	0	571	571
Operating Lump Sum Appropriation	1,402,200	1,403,600	1,324,593
Operating Lump Sum Appropriation	362,500	363,100	347,263

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Schools for the Deaf and the Blind			
Administrative Adjustments	0	808,962	808,962
ADTEC Remodel FY91 - 92	357	357	0
Building Renewal - Emergency Water Line Repair	0	1,200	1,200
Building Renewal - Tucson Gym FY98 - 99	69	0	0
Building Renewal FY93 - 94	504	0	0
Building Renewal FY94 - 95	395	395	0
Master Plan FY95 - 96	5,000	5,000	0
Operating Lump Sum Appropriation	18,868,100	17,332,600	16,478,147
Security Fencing	2,563	2,563	0
Telecommunication Cabling FY91 - 92	1,624	1,624	0
Temporary Facilities FY91 - 92	282	282	0
School Facilities Board			
Operating Lump Sum Appropriation	1,715,100	1,635,571	1,591,801
Administrative Adjustments	0	15,102	15,102
Deficiencies Correction Appropriation	15,000,000	15,000,000	0
General Fund Transfer 2nd Special Session Chapter 4	0	56,000,000	56,000,000
General Fund Transfer 2nd Special Session Chapter 4	0	83,250,000	83,250,000
General Fund Transfer 2nd Special Session Chapter 4	0	69,934,700	69,934,700
Senate			
Operating Lump Sum Appropriation FY00 - 01	707,236	707,236	689,969
Operating Lump Sum Appropriation FY01 - 02	7,086,500	6,761,100	6,750,334
Operating Lump Sum Appropriation FY92 - 93	5,903	5,903	5,903
Operating Lump Sum Appropriation FY93 - 94	579,901	579,901	571,230
Operating Lump Sum Appropriation FY94 - 95	484,773	484,773	0
Operating Lump Sum Appropriation FY95 - 96	420,125	420,125	0
Operating Lump Sum Appropriation FY96 - 97	422,031	422,031	0
Operating Lump Sum Appropriation FY97 - 98	422,916	422,916	0
Operating Lump Sum Appropriation FY98 - 99	525,743	525,743	0
Operating Lump Sum Appropriation FY99 - 00	1,005,948	1,005,948	195,113
Supreme Court			
Administrative Adjustments	0	93,450	79,608
Administrative Adjustments	0	136,499	136,499
Adult Intensive Probation	21,148,400	19,769,000	19,624,247
Adult Probation Enhancement	27,628,100	26,501,100	26,414,239
Child Support Enforcement	1,012,600	997,100	910,907
Commission on Judicial Conduct	341,000	339,100	337,336
Community Punishment	3,907,000	3,306,700	3,278,303
Elder Law Representation	795	795	0
Energy Management System - Courts Building	7,657	6,442	6,442
Family Counseling	660,400	660,400	656,252
Interstate Compact Adult Probation	1,447,100	1,306,200	1,305,189
Judicial Assistance	87,400	87,300	85,718
Judicial Education	243,800	230,400	201,926
Judicial Performance Review	357,300	351,100	348,576
Juvenile Intensive Probation	13,381,200	13,009,300	12,916,383
Juvenile Probation State Aid	8,677,100	7,870,600	7,859,342
Juvenile Treatment Services	24,946,200	23,295,100	23,028,561
Model Court	528,400	514,300	514,266
Operating Lump Sum Appropriation	11,332,000	11,213,800	11,117,609
Operating Lump Sum Appropriation	2,160,700	2,099,800	2,092,823

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

(Expressed in Dollars)	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Operating Lump Sum Appropriation	12,407,300	12,407,300	12,377,355
Post Conviction Relief	150,000	242,800	240,975
Progressively Increasing Consequences	9,724,400	9,099,700	9,099,700
State Aid to the Courts Fund	1,721,100	1,721,100	1,720,773
State Grand Jury Expenses	440,000	236,356	132,958
4th Floor Chiller	0	25,000	16,876
HVAC Ductwork Replacement	0	43,000	26,447
HVAC Storage Tank	0	25,000	1,440
Replace Security Cameras - Courts Building	4,840	4,840	1,806
Administrative Adjustments	0	489,264	489,264
Court Assistance	383,347	383,847	30,639
JCEF Arizona Court Automation Project	9,882,600	9,882,600	5,956,386
JCEF Assistance to Courts	2,308,053	2,308,053	2,063,097
Secretary of State			
Administrative Adjustments	0	19,122	19,122
Elections	903,700	860,038	805,917
Operating Lump Sum Appropriation	2,291,700	2,204,866	2,161,116
Technical Registration Board			
Greenfields Pilot Program Appropriation	37	37	0
Office of Tourism			
Administrative Adjustments	0	2,900	2,900
Transfer to Tourism Fund (Laws 2001,Chapter 236, Section 97)	11,420,800	10,332,421	10,332,421
International and Domestic Marketing	1,002,700	1,366,600	1,366,548
Maricopa County Tourism Promotion	4,000,000	4,000,000	3,828,662
Media Advertising	6,044,900	4,226,000	4,132,854
Media Communication	442,000	762,800	762,787
Operating Lump Sum Appropriation	2,326,000	2,461,121	2,461,100
Research and Data Repository	241,500	505,900	505,865
Travel Counseling and Direct Marketing	1,363,700	1,010,000	1,009,951
State Treasurer			
Administrative Adjustments	0	70,751	70,751
Community College Reimbursements	0	3,538,665	3,538,665
Corporate Income Tax Transfer to WQARF	0	5,000,000	5,000,000
Justice of the Peace Salaries	2,921,000	2,782,581	2,334,985
Operating Lump Sum Appropriation	2,517,600	2,395,624	2,389,929
Property Tax Refund	200,000	190,522	70,427
Tax Appeals Board			
Administrative Adjustments	0	40	40
Operating Lump Sum Appropriation	316,000	301,541	231,504
University of Arizona			
Agriculture	41,319,000	40,062,900	40,062,900
Capital Outlay - Digital Television Conversion	2,500,000	2,500,000	2,500,000
Clinical Rural Rotation	477,000	477,700	477,700
Clinical Teaching Support	9,673,600	9,673,100	9,673,100
Liver Research Institute	522,100	505,400	505,400
Operating Lump Sum Appropriation	239,360,800	227,524,198	227,524,198
Operating Lump Sum Appropriation	46,711,500	44,045,800	44,045,800
Pima County Campus - Arizona International College	1,459,000	1,393,200	1,393,200
Sierra Vista Campus	2,229,000	2,152,200	2,152,200

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL (Appropriation)	FINAL (Appropriation)	ACTUAL AMOUNTS
Sierra Vista Campus Building	0	1,500,000	1,500,000
Telemedicine Network	1,284,700	1,228,000	1,228,000
Uniform State Law Commission			
Operating Lump Sum Appropriation	44,900	41,410	41,410
Veteran's Service Department			
Administrative Adjustments	0	3,098	3,098
Nursing Home Project	3,605	3,605	0
Nursing Home Project	18,934	18,934	0
Nursing Home Project	13,284	13,284	0
Operating Lump Sum Appropriation	939,001	921,479	878,127
Southern Arizona Veterans' Cemetery	211,100	110,200	83,486
State Veterans' Home - Operating Lump Sum Appropriation	0	10,000	1,017
Veterans' Conservatorship	426,233	427,233	427,233
Veterans' Organizations Contracts	29,200	29,200	29,200
Veterans' Services	843,366	844,566	829,952
ASVH - Water Line Leak	0	6,500	6,500
Water Resources			
Administrative Adjustments	0	50,118	50,118
Arizona Water Banking Authority	2,000,000	1,000,000	1,000,000
Cochise-Wilcox County Flood Control	400,000	400,000	0
Operating Lump Sum Appropriation	14,884,700	14,209,674	14,191,970
Riparian Bill	191	191	0
Rural Water Studies FY00 - 01	419,249	419,249	305,835
Rural Water Studies FY01 - 02	500,000	500,000	438,750
Rural Water Studies FY99 - 00	250,130	250,130	241,470
Weights and Measures			
Administrative Adjustments	0	19,159	19,159
Operating Lump Sum Appropriation	1,568,400	1,468,280	1,459,826
Vapor Recovery	367,000	0	0
Total of General Fund Budgetary Expenditures	$ 8,697,103,826	$ 9,167,900,999	$ 8,495,628,235
General Fund Budgetary Expenditures Summary:			
Statutory General Fund Expenditures authorized by Legislature	$ 6,023,791,381	$ 6,104,852,100	$ 5,989,093,702
Other General Fund Programs Supported by Taxes and Federal Grants	2,673,312,445	3,063,048,899	2,506,534,533
Total General Fund Budgetary Expenditures	$ 8,697,103,826	$ 9,167,900,999	$ 8,495,628,235

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION AND AVIATION FUND			
Department of Transportation			
Administration - Operating Lump Sum Appropriation	$ 57,677,300	$ 56,331,300	$ 55,666,671
Administrative Adjustments	0	47,946	47,946
Administrative Adjustments	0	1,189,615	1,189,615
Administrative Adjustments	0	67,322	67,322
Aeronautics Division - Operating Lump Sum Appropriation	1,793,100	1,738,500	1,729,670
Airport Planning and Development FY00 - 01	2,254,554	2,254,554	2,254,554
Airport Planning and Development FY01 - 02	10,667,000	10,667,000	7,257,898
Arizona - Mexico Border Points FY97 - 98	100,841	100,841	100,272
Asbestos and Lead Inspections	700,000	700,000	0
Asphalt Tank Replacement FY00 - 01	136,100	136,100	136,100
Asphalt Tank Replacement FY99 - 00	4,514	4,514	4,513
Building Renewal FY00 - 01	56,100	56,100	35,580
Building Renewal FY00 - 01	1,461,261	1,461,261	1,080,738
Building Renewal FY01 - 02	2,740,900	1,576,400	663,441
Cottonwood Motor Vehicle Department Svc Ctr FY00 - 01	1,000,000	1,000,000	933,485
Cottonwood Motor Vehicle Department Svc Ctr FY99 - 00	84,902	84,902	80,710
De-Icer Buildings FY00 - 01	432	0	0
De-Icer Buildings FY01- 02	800,000	200,000	10,926
Department of Public Safety Fund Shift from HURF	0	25,981,800	25,981,800
Department of Public Safety Transfer	0	25,017,100	25,017,100
Douglas Maintenance Yard Admin Adjustment FY90 - 91	2,000	2,000	0
Douglas Motor Vehicle Department Svc Center FY00 - 01	1,117,752	1,117,752	382,517
Equipment Racks	280,000	0	0
Fire System Upgrades	124,778	124,778	78,591
Glendale Motor Vehicle Department Svc Center FY00 - 01	2,099,875	2,099,875	1,741,403
Glendale Motor Vehicle Department Svc Center FY99 - 00	56,185	56,185	37,725
Highway Construction FY00 - 01	38,920,482	38,920,482	38,920,482
Highway Construction FY01 - 02	278,020,800	347,963,000	295,171,986
Highway Maintenance - Operating Lump Sum Appropriation	0	500,000	500,000
Highway Maintenance Lump Sum Appropriation	2,398,708	2,398,708	2,398,451
Highway Maintenance Lump Sum Appropriation	94,198,100	90,375,900	86,854,031
Highways - Operating Lump Sum Appropriation	45,792,100	44,181,200	43,462,040
Holbrook Maintenance Yard Sewer System	257,000	257,000	18,701
HURF Transfer to DPS for Highway Patrol Vehicles	0	5,442,200	5,442,200
HURF Transfer to DPS for Overtime	0	850,100	850,100
HURF Transfer to DPS for Personnel and Operating	0	4,791,500	4,791,500
Liquid De-Icer Storage Tanks FY00 - 01	124,353	124,353	122,872
Marana Motor Vehicle Division Service Center	1,092,000	0	0
Methane Extraction Unit	104,784	104,784	41,669
Modular Trailer Operating Expenses	31,219	31,219	8,684
Motor Vehicle Division - Operating Lump Sum Appropriation	1,252,800	1,754,800	1,438,435
Motor Vehicle Division - Operating Lump Sum Appropriation	1,020,700	1,022,400	559,617
Motor Vehicle Division - Operating Lump Sum Appropriation	980,300	982,100	882,868
Motor Vehicle Division Central Arizona Port New Trailers	14,706	14,706	13,890
Motor Vehicle Division Electronic Certificate of Title System	0	277,950	17,838
Motor Vehicle Division Fuel Dispenser Labels	0	5,000	4,903
Motor Vehicle Division Lump Sum Appropriation	77,227,600	75,805,600	75,348,687

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Motor Vehicle Division Nogales Port Facility FY00 - 01	998,676	998,676	6,379
Motor Vehicle Division Nogales Port Facility FY99 - 00	1,509,931	1,509,931	110,203
Motor Vehicle Division One Time Trailer Fees Implementation	0	180,000	135,715
Motor Vehicle Division Security Enhancement Issues	2,750,400	2,250,400	75,938
MVD - Operating Lump Sum Appropriation FY00 - 01	2,702,574	2,702,574	798,954
Needle Mountain Maintenance Yard	1	0	0
Nogales Port of Entry	570,625	570,625	552,993
North Central Regional Motor Vehicle Div Svc Ctr FY98 - 99	6,852	5,565	5,565
North Phoenix Maintenance Yard	1,573,575	1,573,575	1,423,655
Office of Highway Safety Transfer	0	232,500	232,500
Operating Lump Sum Appropriation	48,000	48,100	48,000
Payson Motor Vehicle Department Svc Center FY00 - 01	47,871	47,871	3,733
Payson Motor Vehicle Department Svc Center FY01 - 02	856,000	856,000	0
Plate To Owner	706,727	706,727	631,657
Safety Barrier Wall	42,521	39,783	39,783
Safety Enforcement and Infrastructure Fund Transfer to DPS	0	1,014,600	1,014,600
Sign and Supply Warehouses	708,000	0	0
Southeast Regional Motor Vehicle Div Svc Ctr FY98 - 99	78	0	0
Special Projects FY98 - 99	30,868	30,868	0
Spreader Racks	23,236	7,534	7,534
Surprise Motor Vehicle Division Service Center	2,253,000	0	0
Transportation Research FY98 - 99	200,000	0	0
Tucson Lab Expansion	160,000	0	0
Underground Storage Tanks Upgrades FY98 - 99	2,977	2,977	2,977
Vehicle Wash Buildings	554,000	0	0
Vehicle Wash Racks	3,285	0	0
West Phoenix Motor Vehicle Division Service Center	1,331,000	1,331,000	47,973
Total Transportation and Aviation Fund Budgetary Expenditures	$ 641,673,443	$ 761,928,153	$ 686,485,690

The Notes to Required Supplementary Information are an integral part of this schedule.

A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES

The accompanying Budgetary Comparison Schedules for the General Fund and Transportation and Aviation Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2001 that affect available appropriations during fiscal year 2002. The final budget represents any appropriation bills during fiscal year 2002 for fiscal year 2002 plus the original budget. Appropriation bills passed after the end of fiscal year 2002 for fiscal year 2002 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State's budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and Transportation and Aviation Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

	General Fund	Transportation and Aviation Fund
Uses/outflows of resources		
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	$ 8,495,628	$ 686,486
Differences - budget to GAAP:		
Increase (Decrease) in unpaid incurred expenditures from fiscal year end 2001 to fiscal year end 2002	(4,174)	287,217
Increase in unpaid payroll expenditures from fiscal year end 2001 to fiscal year end 2002. For budgetary reporting, final June 2002 payroll expenditures were charged to fiscal year 2003 budget.	1,013	-
Distributions to counties and cities, of sales taxes, are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	713,086	-
Distribution to counties and cities for Urban Revenue Sharing, derived from the State's income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures.	421,877	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures	3,308	859
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2002	2,918,017	1,468,516
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(846,194)	(370,064)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 11,702,561	$ 2,073,014

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits budgeted expenditures from exceeding 7.41 percent of aggregate personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. Encumbrances as of June 30 can be liquidated during a three-week administrative period known as the 13th month. At the time of appropriation bills passage, estimates prepared by legislative and executive branch professional staff assure the legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on both an annual and biennial basis. Laws 2001, Chapter 236 appropriated biennial budgets for all state agencies. In biennial budgets, an agency receives a separate appropriation for each of two fiscal years. For "small" regulatory agencies, comprised of five to ten people, whose budgets were merely amended for technical adjustments in Laws 2002, Chapter 327, the first year (FY 2002) appropriations do not lapse until the end of the second year (FY 2003). Except where specifically noted by the appropriation bills, the appropriations for all other agencies lapse at the end of each fiscal year. For the "large" fifteen state agencies, Laws 2002, Chapter 210 returned their budgets to a "one" year cycle beginning with the 2003 Legislative Session (fiscal year 2004 budget request). In prior years the "large" agencies have accounted for approximately ninety percent or more of the appropriations for the General Fund.

The budget format used by the State legislature determines how an agency's appropriation appears in the General Appropriations Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funding. Among the possible format choices are the following:

Lump Sum – The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review. Within this format, any programs or Special Line Items may be listed separately.

Modified Lump Sum – The appropriation of an agency for each fiscal year consists of at least three lines: Personal Services, Employee Related Expenditures and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to A.R.S. § 35-173, an agency must seek approval of the Joint Legislative Budget Committee before moving any funding into or out of the Personal Services and Employee Related Expenditures line items. Any other funding transfers would require approval by the Department of Administration (ADOA), but not the Joint Legislative Budget Committee.

Detailed Line Item – The agency appropriation for each fiscal year consists of each line item listed in the Appropriation Report including: Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food and any Special Line Items. The same rules govern Personal Services and Employee Related Expenditures funding transfers as noted in the Modified Lump Sum description. This appropriation format requires an agency to seek ADOA approval before initiating funding transfer between all line items.

During the fiscal year, $743.790 million in supplemental appropriations net of adjustments and reversions were provided to enhance various programs. The General Fund and Transportation and Aviation Fund received $470.797 and $120.255 million, respectively, and those amounts are included in the Budgetary Comparison Schedules. The remaining supplemental appropriations of $152.738 million are reported in Budgetary Comparison Schedules – Other Governmental Funds beginning on page 194.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2002

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The State Department of Administration – Financial Services Division exercises oversight and does not disburse funds in excess of appropriations.

Both the Arizona Constitution and statutes require a balanced budget for annual financial operations. If the Governor decides there will be a shortfall of cash revenues for a fiscal year, the Governor can call the Legislature into Special Session so that the executive and legislative branches can deal with the revenue decline.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2002

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), the State of Arizona reports its roads and bridges using the modified approach. Substantially all infrastructure is maintained by the Arizona Department of Transportation (ADOT). Assets accounted for under the modified approach include approximately 6,650 center lane miles (17,807 travel lane miles) of roads and 4,378 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate, each year, the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

As adopted by the State Transportation Board on an annual basis, the Five Year Transportation Facilities Construction Program contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. The Five Year Transportation Facilities Construction Program, in effect for fiscal year 2002 and beyond, was adopted by the Transportation Board on June 15, 2001.

The following information pertains to the condition assessment and maintenance of those infrastructure assets.

Roads

The mission of the ADOT Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the ADOT PMS both work toward the same basic goal: the efficient, effective management of the State's assets to produce long term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the state highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability" which can be defined as the ability of a pavement to serve the travelling public (as documented in 1961, after AASHTO Road Test, 1956-1961). Serviceability was originally based on detailed measurements of objective features of the pavement, but many surveys since the original road test have shown that such measurements closely track the subjective opinion of the travelling public. Because of that close tracking, it is possible to substitute panel rating measurements by road users as a subjective assessment to determine Serviceability ratings and then use those ratings to track performance from year to year. Most commonly, this number is called "Present Serviceability Rating" (PSR). PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale, shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

Information About Infrastructure Assets Reported Using the Modified Approach - Continued

The Serviceability rating method, in its most common form, is shown in Figure 1, below:

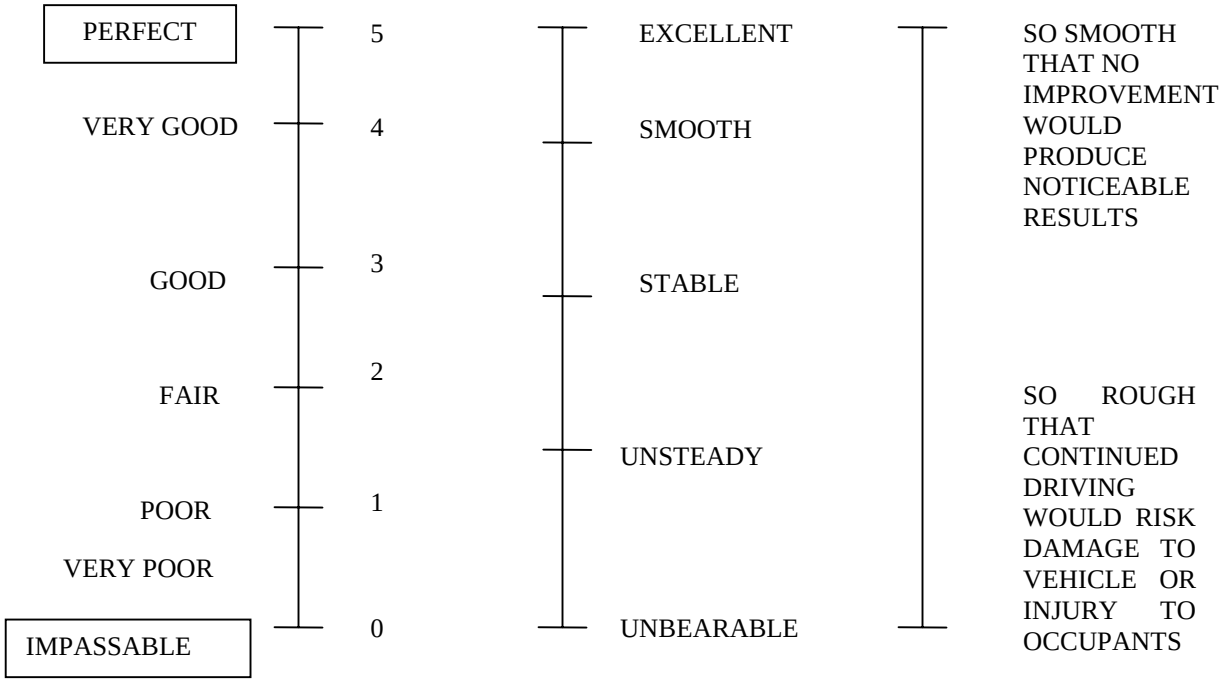


Figure 1

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the state highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavements on an annual basis. As of the end of fiscal year 2002, an overall rating of 3.6 was achieved, as shown in the following graph:

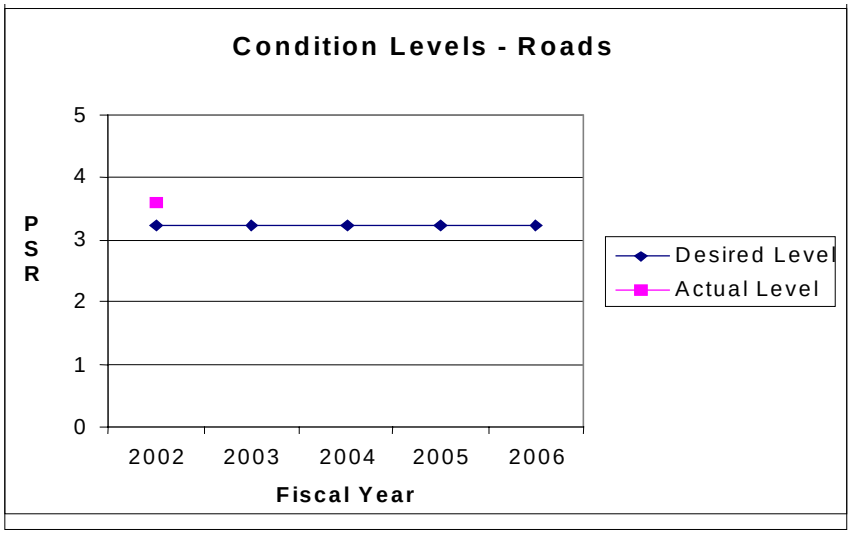


Figure 2

Information About Infrastructure Assets Reported Using the Modified Approach - Continued

Preservation of the roads is accomplished through programs managed by the ADOT Pavement Management Section. The estimated and actual expenditures for fiscal year 2002 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2002	$227.4	$234.8

Bridges

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2002, the State owns and maintains 4,378 bridges, with an approximate total deck area of 39,422,410 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the Arizona Bridge Information and Storage System (ABISS). This system is used to efficiently manage the bridge inventory through storing all bridge-related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings which, in turn, are based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges". The four selected element condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the superstructure condition, and the substructure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting, from one, the ratio of the sum of the deck areas of all bridges with a condition rating of four or less (which indicates that the rated element is at best in a poor condition) to the total sum of the deck areas. The rating system in this guide is as follows:

Numerical Rating	Condition Rating
9	Excellent
8	Very Good
7	Good
6	Satisfactory
5	Fair
4	Poor
3	Serious
2	Critical
1	Imminent Failure

Information About Infrastructure Assets Reported Using the Modified Approach - Continued

Management of the bridge inventory is a major function of ADOT's Bridge Group, and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. It is the policy of the State to maintain state highway bridges so that the CRI exceeds 92.5%. In fiscal year 2002, the CRI was computed at 93.6%.

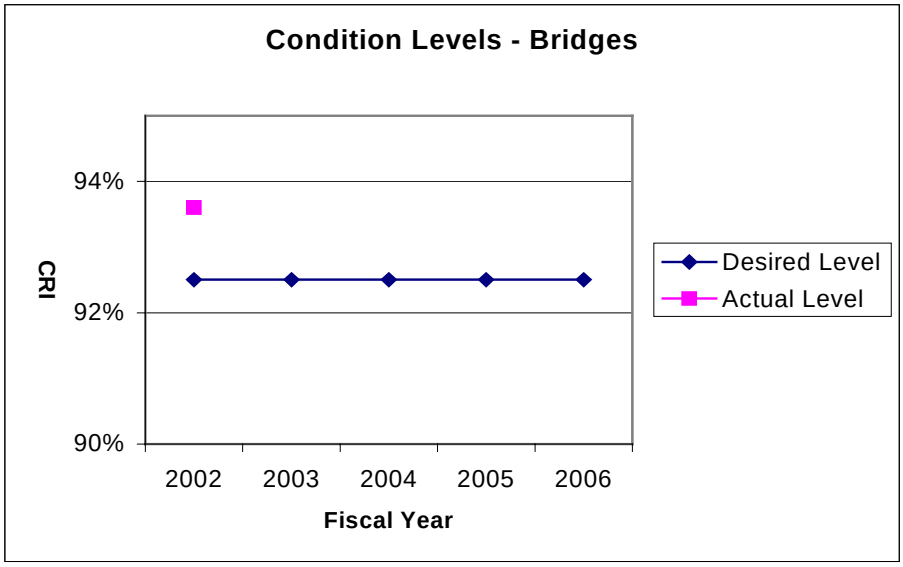


Figure 3

Bridges represent a major public investment and their inspection and maintenance is an essential function of the State in its mission of providing a safe and efficient transportation system. Figure 4, below, indicates that approximately 66% of the bridges in the state were constructed prior to the 1970s, while only 20% have been constructed in the last two decades.

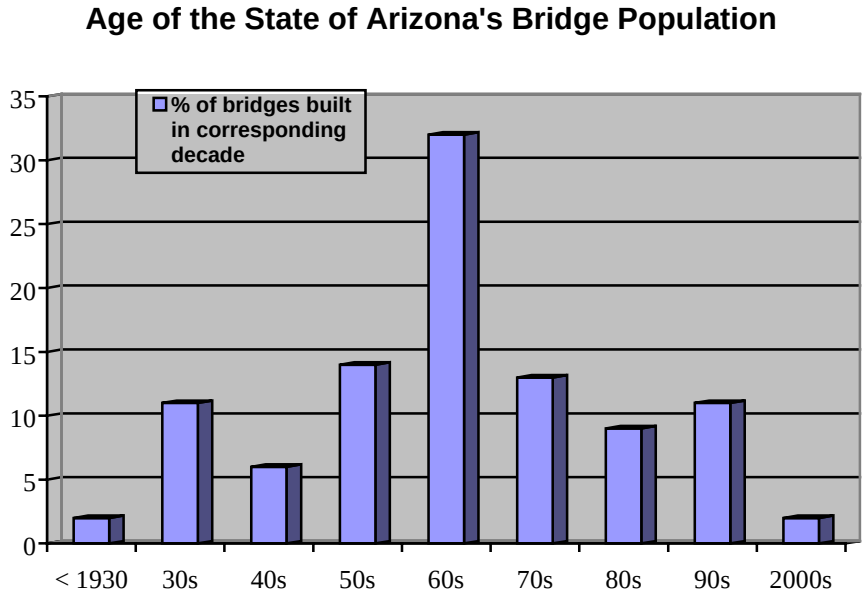


Figure 4

Information About Infrastructure Assets Reported Using the Modified Approach - Concluded

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated and actual expenditures for fiscal year 2002 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2002	$14.4	$18.2

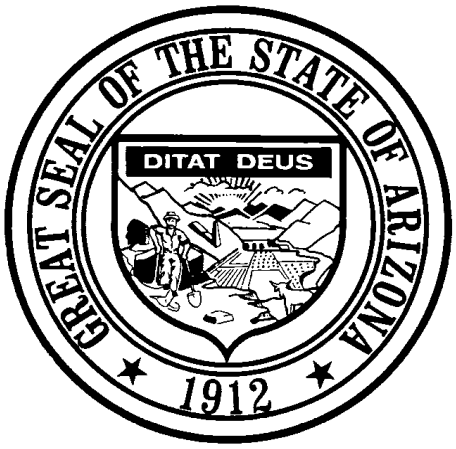
STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLANS FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2002

Analysis of the funding progress for each of the agent, multiple-employer defined benefit plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Excess	Funded Ratio	Annual Covered Payroll	Funding Excess as Percentage of Covered Payroll
PSPRS	6/30/02	$ 614,615	$ 530,497	$ 84,118	115.9%	$ 68,334	123.1%
	6/30/01	625,933	464,891	161,042	134.6%	70,439	228.6%
	6/30/00	584,825	446,225	138,600	131.1%	68,563	202.1%
CORP	6/30/02	613,427	495,124	118,303	123.9%	266,189	44.4%
	6/30/01	608,165	434,945	173,220	139.8%	277,591	62.4%
	6/30/00	547,149	394,319	152,830	138.8%	278,819	54.8%

STATE HEALTH LABORATORY

COMBINING FINANCIAL STATEMENTS AND SCHEDULES


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds

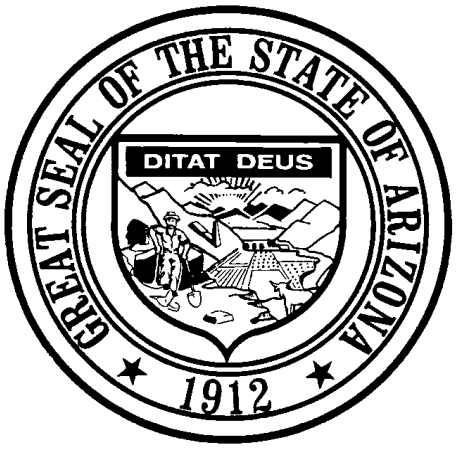
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash and investments	$ 910,767	$ 22,978	$ 66,514	$ 1,000,259
Receivables, net of allowances:				
Taxes	4,379	-	1,955	6,334
Interest	2,742	971	983	4,696
Other	17,002	-	3	17,005
Due from U.S. Government	150	-	-	150
Due from local governments	6,335	-	-	6,335
Due from others	45	-	-	45
Due from other Funds	15,638	-	-	15,638
Inventories, at cost	2,670	-	-	2,670
Restricted assets:				
Cash and cash equivalents	3,461	21,992	89,414	114,867
Cash held by trustee	-	13,147	53,088	66,235
Other	28	-	-	28
Total Assets	$ 963,217	$ 59,088	$ 211,957	$ 1,234,262
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ 18,561	$ 3	$ 13,977	$ 32,541
Accrued liabilities	2,999	-	42	3,041
Due to U.S. Government	3,455	-	-	3,455
Due to local governments	64,126	-	-	64,126
Due to others	300	-	-	300
Due to other Funds	2,828	-	2	2,830
Deferred revenue	2,210	-	-	2,210
Total Liabilities	94,479	3	14,021	108,503
Fund Balances:				
Reserved for:				
Highway construction	-	-	77,397	77,397
Other construction	-	-	53,088	53,088
School facilities improvements	262,654	-	-	262,654
Continuing appropriations	18,203	158	34,089	52,450
Debt service	-	58,927	-	58,927
Other fund balance reservations	18,382	-	-	18,382
Unreserved	569,499	-	33,362	602,861
Total Fund Balances	868,738	59,085	197,936	1,125,759
Total Liabilities and Fund Balances	$ 963,217	$ 59,088	$ 211,957	$ 1,234,262

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	$ 280,908	$ 75,787	$ -	$ 356,695
Property	2,074	-	186	2,260
Motor vehicle and fuel	27,720	-	7,994	35,714
Other	159,543	-	24,922	184,465
Intergovernmental	74,588	-	-	74,588
Licenses, fees and permits	149,632	-	120	149,752
Earnings on investments	41,072	7,617	9,558	58,247
Sales and charges for services	32,771	-	-	32,771
Fines, forfeitures and penalties	81,722	-	-	81,722
Other	52,207	469	-	52,676
Total Revenues	902,237	83,873	42,780	1,028,890
EXPENDITURES				
Current:				
General government	83,833	-	-	83,833
Health and welfare	270,868	-	-	270,868
Inspection and regulation	80,074	-	-	80,074
Education	515,641	-	-	515,641
Protection and safety	68,137	-	-	68,137
Transportation	-	572	-	572
Natural resources	85,297	-	-	85,297
Debt service:				
Principal	80	264,315	-	264,395
Interest and other fiscal charges	9	122,580	507	123,096
Capital outlay	17,052	-	374,343	391,395
Total Expenditures	1,120,991	387,467	374,850	1,883,308
(Deficiency) of Revenues Over Expenditures	(218,754)	(303,594)	(332,070)	(854,418)
OTHER FINANCING SOURCES (USES)				
Transfers in	193,253	329,668	23,600	546,521
Transfers out	(251,723)	(3,730)	(71,249)	(326,702)
Refunding bonds issued	-	74,250	-	74,250
Payment to refunded bond escrow agent	-	(77,135)	-	(77,135)
Bonds issued	6,350	-	142,000	148,350
Premium on bonds issued	-	3,378	6,764	10,142
Refunding certificates of participation issued	-	71,051	-	71,051
Payment to refunded certificate of participation escrow agent	-	(65,087)	-	(65,087)
Certificates of participation issued	-	4,933	63,270	68,203
Premium on certificates of participation issued	-	2,429	2,245	4,674
Total Other Financing Sources (Uses)	(52,120)	339,757	166,630	454,267
Net Change in Fund Balances	(270,874)	36,163	(165,440)	(400,151)
Fund Balances - Beginning, as restated	1,139,612	22,922	363,376	1,525,910
Fund Balances - Ending	$ 868,738	$ 59,085	$ 197,936	$ 1,125,759


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

The School Facilities Revenue Bond Proceeds Fund accounts for the receipt of the Education Transaction Privilege Revenue Bond proceeds. Funds are restricted to be expended to (1) pay the costs of correcting existing deficiencies in public school facilities for grades K-12, (2) pay bond related expenses, and (3) fully or partially fund any reserves or sinking fund accounts established by the bond resolution.

Protection and Safety Fund accounts for law enforcement, military, custody, and related services provided to the general public.

Environmental Protection Fund accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

Health and Welfare Fund accounts for health and welfare services provided to the general public**.**

The Tobacco Tax and Healthcare Fund accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; and medically needy healthcare programs.

The Children's Health Insurance Program Fund accounts for receipt of monies from Federal grants, Tobacco Tax appropriations, donations, and other sources. Monies are used for administration and operation of the Children's Health Insurance Program, which provides health insurance coverage to eligible children according to Federal and State requirements.

Inspection and Regulation Fund accounts for inspection and regulatory services provided to the general public.

Game and Fish Fund accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

Parks Fund accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing state park lands, sites and facilities.

Commerce Fund accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

Other Special Revenue Funds consists of 83 other funds, for various purposes.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2002
(Expressed in Thousands)

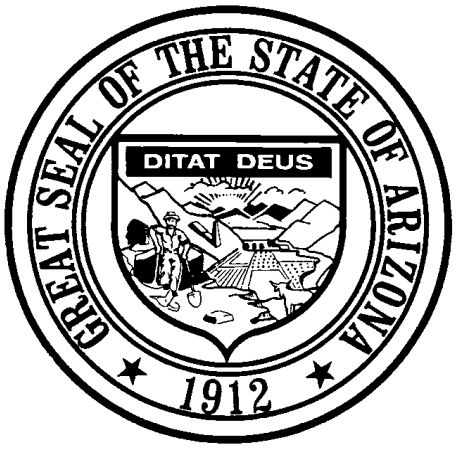
	SCHOOL FACILITIES BOND PROCEEDS	PROTECTION & SAFETY	ENVIRONMENTAL PROTECTION	HEALTH & WELFARE	TOBACCO TAX & HEALTHCARE
ASSETS					
Cash and investments	$ 261,003	$ 27,916	$ 87,190	$ 44,574	$ 56,644
Receivables, net of allowances:					
Taxes	-	-	-	699	3,004
Interest	1,651	20	247	33	32
Other	-	111	5,999	1,833	-
Due from U.S. Government	-	-	-	-	-
Due from local governments	-	-	-	74	6,260
Due from others	-	44	-	-	-
Due from other Funds	-	1,790	3,107	1,990	-
Inventories, at cost	-	2,670	-	-	-
Restricted cash and cash equivalents	-	-	-	3,461	-
Other	-	-	-	-	-
Total Assets	$ 262,654	$ 32,551	$ 96,543	$ 52,664	$ 65,940
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ -	$ 2,019	$ 4,822	$ 2,146	$ 2,271
Accrued liabilities	-	149	3	450	34
Due to U.S. Government	-	-	-	2,374	268
Due to local governments	-	-	-	-	-
Due to others	-	92	-	-	-
Due to other Funds	-	3	-	536	1,962
Deferred revenue	-	6	-	2,200	-
Total Liabilities	-	2,269	4,825	7,706	4,535
Fund Balances:					
Reserved for:					
School facilities improvements	262,654	-	-	-	-
Continuing appropriations	-	676	1,218	3,082	60
Other fund balance reservations	-	52	6,001	3,461	-
Unreserved	-	29,554	84,499	38,415	61,345
Total Fund Balances	262,654	30,282	91,718	44,958	61,405
Total Liabilities and Fund Balances	$ 262,654	$ 32,551	$ 96,543	$ 52,664	$ 65,940

CHILDREN'S HEALTH INSURANCE	INSPECTION & REGULATION	GAME & FISH	PARKS	COMMERCE	OTHER SPECIAL REVENUE	TOTAL
$ 6,493	$ 90,297	$ 38,279	$ 34,097	$ 69,140	$ 195,134	$ 910,767
-	-	-	-	-	676	4,379
-	58	120	106	147	328	2,742
-	66	202	-	8,789	2	17,002
150	-	-	-	-	-	150
-	1	-	-	-	-	6,335
-	-	-	-	1	-	45
316	-	3,403	3,402	404	1,226	15,638
-	-	-	-	-	-	2,670
-	-	-	-	-	-	3,461
28	-	-	-	-	-	28
$ 6,987	$ 90,422	$ 42,004	$ 37,605	$ 78,481	$ 197,366	$ 963,217
$ -	$ 1,507	$ 861	$ 1,093	$ 220	$ 3,622	$ 18,561
405	981	580	39	57	301	2,999
813	-	-	-	-	-	3,455
-	-	-	-	-	64,126	64,126
-	205	-	-	-	3	300
-	306	4	3	2	12	2,828
-	-	-	-	4	-	2,210
1,218	2,999	1,445	1,135	283	68,064	94,479
-	-	-	-	-	-	262,654
-	4,969	2,140	-	4,015	2,043	18,203
-	23	45	5	8,765	30	18,382
5,769	82,431	38,374	36,465	65,418	127,229	569,499
5,769	87,423	40,559	36,470	78,198	129,302	868,738
$ 6,987	$ 90,422	$ 42,004	$ 37,605	$ 78,481	$ 197,366	$ 963,217

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	SCHOOL FACILITIES BOND PROCEEDS	PROTECTION & SAFETY	ENVIRONMENTAL PROTECTION	HEALTH & WELFARE	TOBACCO TAX & HEALTHCARE
REVENUES					
Taxes:					
Sales	$ -	$ -	$ -	$ 8,704	$ -
Property	-	-	-	-	-
Motor vehicle and fuel	-	-	25,480	-	-
Other	-	15,449	2,213	4,474	102,499
Intergovernmental	-	108	-	203	-
Licenses, fees and permits	-	10,360	32,868	3,709	-
Earnings on investments	11,181	461	2,940	13,067	2,408
Sales and charges for services	-	29,425	68	390	-
Fines, forfeitures and penalties	-	32,551	830	10,316	-
Other	-	3,275	109	1,960	473
Total Revenues	11,181	91,629	64,508	42,823	105,380
EXPENDITURES					
Current:					
General government	-	4	-	-	410
Health and welfare	-	-	40,188	103,650	57,832
Inspection and regulation	-	-	-	-	-
Education	244,411	-	-	-	225
Protection and safety	-	68,137	-	-	-
Natural resources	-	-	103	-	-
Debt service:					
Principal	-	6	-	1	-
Interest and other fiscal charges	-	1	-	-	-
Capital outlay	-	7,266	77	175	12
Total Expenditures	244,411	75,414	40,368	103,826	58,479
Excess (Deficiency) of Revenues Over Expenditures	(233,230)	16,215	24,140	(61,003)	46,901
OTHER FINANCING SOURCES (USES)					
Transfers in	247	68,304	10,462	40,681	26,292
Transfers out	(9,768)	(80,417)	(3,117)	(25,204)	(107,413)
Bonds issued	6,350	-	-	-	-
Total Other Financing Sources (Uses)	(3,171)	(12,113)	7,345	15,477	(81,121)
Net Change in Fund Balances	(236,401)	4,102	31,485	(45,526)	(34,220)
Fund Balances - Beginning, as restated	499,055	26,180	60,233	90,484	95,625
Fund Balances - Ending	$ 262,654	$ 30,282	$ 91,718	$ 44,958	$ 61,405

CHILDREN'S HEALTH INSURANCE	INSPECTION & REGULATION	GAME & FISH	PARKS	COMMERCE	OTHER SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ -	$ 272,204	$ 280,908
-	-	1,017	1,057	-	-	2,074
-	-	672	1,568	-	-	27,720
-	27,787	-	-	-	7,121	159,543
54,947	748	12,186	-	-	6,396	74,588
-	56,882	22,382	215	1,920	21,296	149,632
2,045	628	1,391	1,134	1,779	4,038	41,072
-	531	306	-	8	2,043	32,771
-	1,494	169	-	-	36,362	81,722
-	928	1,411	188	20,960	22,903	52,207
56,992	88,998	39,534	4,162	24,667	372,363	902,237
-	-	-	-	17,659	65,760	83,833
69,198	-	-	-	-	-	270,868
-	79,171	-	-	-	903	80,074
-	-	-	-	-	271,005	515,641
-	-	-	-	-	-	68,137
-	-	40,298	10,880	-	34,016	85,297
-	25	26	-	6	16	80
-	-	4	-	-	4	9
-	568	6,297	1,746	29	882	17,052
69,198	79,764	46,625	12,626	17,694	372,586	1,120,991
(12,206)	9,234	(7,091)	(8,464)	6,973	(223)	(218,754)
10,700	782	9,217	8,769	2,180	15,619	193,253
(267)	(6,468)	(600)	(528)	(3,061)	(14,880)	(251,723)
-	-	-	-	-	-	6,350
10,433	(5,686)	8,617	8,241	(881)	739	(52,120)
(1,773)	3,548	1,526	(223)	6,092	516	(270,874)
7,542	83,875	39,033	36,693	72,106	128,786	1,139,612
$ 5,769	$ 87,423	$ 40,559	$ 36,470	$ 78,198	$ 129,302	$ 868,738


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
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NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

The Department of Transportation Fund administers the payment of principal and interest on the 1991 Series A and 1992 Series B State of Arizona Subordinated Highway Revenue Bond issues, the 1993 Series State of Arizona Highway Revenue Refunding Bond issue, the 1993 Series A and 1993 Series B State of Arizona Subordinated Highway Revenue Refunding Bond issues, and the Series 1999 and 2001 State of Arizona Highway Revenue Bond issues.

The Maricopa Regional Area Road Fund administers the payment of principal and interest on the 1988 Series A, 1992 Series A Refunding, 1992 Series B, 1998 Series A and 2000 Series Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bond issues, the 1995 Series A and 1999 Series Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issues, and the 1993 Series and 1995 Series B Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Refunding Bond issues.

The Certificates of Participation Fund administers the payment of principal and interest on the State of Arizona Certificates of Participation series 92B, 93B, 2001A & B, 2002A and AHCCCS Certificates.

The School Facilities Debt Instrument Fund administers the payment of principal and interest on the State of Arizona School Facilities Board Education Transaction Privilege Series 2001 Revenue Bonds.

The Grant Anticipation Notes Fund administers the payment of principal and interest on Series 2000A and Series 2001A Arizona Transportation Board Grant Anticipation Notes.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2002
(Expressed in Thousands)

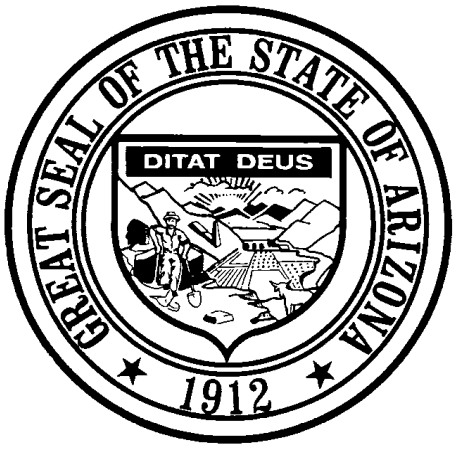
	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES
ASSETS					
Cash and investments	$ -	$ -	$ 5,183	$ 17,795	$ -
Interest receivable	533	268	-	170	-
Restricted assets:					
Cash and cash equivalents	2,492	19,500	-	-	-
Cash held by trustee	-	-	13,147	-	-
Total Assets	$ 3,025	$ 19,768	$ 18,330	$ 17,965	$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	-	3	-	-	-
Total Liabilities	-	3	-	-	-
Fund Balances:					
Reserved for:					
Continuing appropriations	-	-	158	-	-
Debt service	3,025	19,765	18,172	17,965	-
Total Fund Balances	3,025	19,765	18,330	17,965	-
Total Liabilities and Fund Balances	$ 3,025	$ 19,768	$ 18,330	$ 17,965	$ -

	TOTAL
$	22,978
	971
	21,992
	13,147
$	59,088
	3
	3
	158
	58,927
	59,085
$	59,088

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES
REVENUES					
Taxes:					
Sales	-	-	-	75,787	-
Earnings on investments	1,379	2,527	1,681	2,030	-
Other	-	-	92	377	-
Total Revenues	1,379	2,527	1,773	78,194	-
EXPENDITURES					
Current:					
Transportation	488	83	-	-	1
Debt service:					
Principal	45,365	163,455	12,460	43,035	-
Interest and other fiscal charges	38,534	35,445	11,458	26,962	10,181
Total Expenditures	84,387	198,983	23,918	69,997	10,182
Excess (Deficiency) of Revenues Over Expenditures	(83,008)	(196,456)	(22,145)	8,197	(10,182)
OTHER FINANCING SOURCES (USES)					
Transfers in	83,617	198,056	28,046	9,768	10,181
Transfers out	-	-	(3,730)	-	-
Refunding bonds issued	74,250	-	-	-	-
Payment to refunded bond escrow agent	(77,135)	-	-	-	-
Premium on bonds issued	3,378	-	-	-	-
Refunding certificates of participation issued	-	-	71,051	-	-
Payment to refunded certificate of participation escrow agent	-	-	(65,087)	-	-
Certificates of participation issued	-	-	4,933	-	-
Premium on certificates of participation issued	-	-	2,429	-	-
Total Other Financing Sources	84,110	198,056	37,642	9,768	10,181
Net Change in Fund Balances	1,102	1,600	15,497	17,965	(1)
Fund Balances - Beginning	1,923	18,165	2,833	-	1
Fund Balances - Ending	$ 3,025	$ 19,765	$ 18,330	$ 17,965	$ -

TOTAL
75,787
7,617
469
83,873
572
264,315
122,580
387,467
(303,594)
329,668
(3,730)
74,250
(77,135)
3,378
71,051
(65,087)
4,933
2,429
339,757
36,163
22,922
$ 59,085


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

The Department of Transportation Financed Fund administers the bond proceeds from the State of Arizona Highway Revenue Bond Series 2001 and 2002. These monies are expended for the construction of Federal, State and local highways.

The Maricopa Regional Area Road Financed Fund administers the bond proceeds from the Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bond Series 2000 and 2001. These monies are spent on the construction of State highways within Maricopa County.

The Grant Anticipation Notes Financed Fund administers proceeds from the Series 2000A and Series 2001A Arizona Transportation Board Grant Anticipation Notes. These monies are expended for the acquisition of right-of-way purchase, or construction of certain controlled access highways within Maricopa County.

Certificates of Participation Financed Fund administers the proceeds for the State's Certificates of Participation series 2002A. These monies are expended on various projects including new building construction, development of the Human Resource Information System, and the retiring of former Certificates of Participation.

General Fund Financed Fund administers proceeds from the Arizona State Hospital Capital Fund. These monies are expended for demolition, renovation and construction projects of the Arizona State Hospital.

Special Revenue Funds Financed Fund administers some of the proceeds from the Luxury Tax on cigarettes, other tobacco products, and alcoholic beverages. These monies are expended for capital improvements to existing prisons.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	MARICOPA RARF FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	GENERAL FUND FINANCED
ASSETS					
Cash and investments	$ -	$ -	$ -	$ -	$ 24,337
Receivables, net of allowances:					
Taxes	-	-	-	-	-
Interest	607	15	153	-	102
Other	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	64,292	4,674	20,448	-	-
Cash held by trustee	-	-	-	53,088	-
Total Assets	$ 64,899	$ 4,689	$ 20,601	$ 53,088	$ 24,439
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 6,912	$ 3,234	$ 2,646	$ -	$ 38
Accrued liabilities	-	-	-	-	22
Due to other Funds	-	-	-	-	-
Total Liabilities	6,912	3,234	2,646	-	60
Fund Balances:					
Reserved for:					
Highway construction	57,987	1,455	17,955	-	-
Other construction	-	-	-	53,088	-
Continuing appropriations	-	-	-	-	20,678
Unreserved	-	-	-	-	3,701
Total Fund Balances	57,987	1,455	17,955	53,088	24,379
Total Liabilities and Fund Balances	$ 64,899	$ 4,689	$ 20,601	$ 53,088	$ 24,439

SPECIAL REVENUE FUNDS FINANCED	TOTAL
$ 42,177	$ 66,514
1,955	1,955
106	983
3	3
-	89,414
-	53,088
$ 44,241	$ 211,957

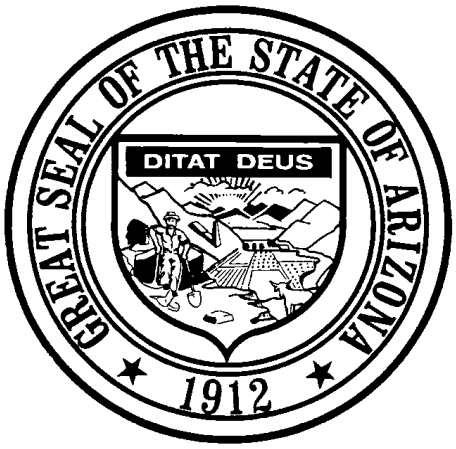
$ 1,147	$ 13,977
20	42
2	2
1,169	14,021

-	77,397
-	53,088
13,411	34,089
29,661	33,362
43,072	197,936
$ 44,241	$ 211,957

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	MARICOPA RARF FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	GENERAL FUND FINANCED
REVENUES					
Taxes:					
Property	-	-	-	-	-
Motor vehicle and fuel	-	-	-	-	-
Other	-	-	-	-	-
Licenses, fees and permits	-	-	-	-	-
Earnings on investments	2,842	604	3,173	-	1,632
Total Revenues	2,842	604	3,173	-	1,632
EXPENDITURES					
Debt service:					
Interest and other fiscal charges	-	-	-	507	-
Capital outlay	134,585	75,264	115,129	11,920	29,872
Total Expenditures	134,585	75,264	115,129	12,427	29,872
Excess (Deficiency) of Revenues Over Expenditures	(131,743)	(74,660)	(111,956)	(12,427)	(28,240)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	20,000
Transfers out	(834)	(183)	(2,881)	-	-
Bonds issued	75,990	66,010	-	-	-
Premium on bonds issued	3,958	2,806	-	-	-
Certificates of participation issued	-	-	-	63,270	-
Premium on certificates of participation issued	-	-	-	2,245	-
Total Other Financing Sources (Uses)	79,114	68,633	(2,881)	65,515	20,000
Net Change in Fund Balances	(52,629)	(6,027)	(114,837)	53,088	(8,240)
Fund Balances - Beginning, as restated	110,616	7,482	132,792	-	32,619
Fund Balances - Ending	$ 57,987	$ 1,455	$ 17,955	$ 53,088	$ 24,379

SPECIAL REVENUE FUNDS FINANCED	TOTAL
186	186
7,994	7,994
24,922	24,922
120	120
1,307	9,558
34,529	42,780
-	507
7,573	374,343
7,573	374,850
26,956	(332,070)
3,600	23,600
(67,351)	(71,249)
-	142,000
-	6,764
-	63,270
-	2,245
(63,751)	166,630
(36,795)	(165,440)
79,867	363,376
$ 43,072	$ 197,936


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

Highway Expansion & Extension Loan Program provides the state and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Healthcare Group of Arizona administers prepaid medical coverage primarily to small, uninsured businesses with 2 to 50 employees and employees of political subdivisions. The HCGA processes premium billing, collections and fund disbursement, and data analysis and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the Arizona Historical Society Revolving Fund, State Hospital Revolving Fund, and the State Home for Veterans Trust Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
ASSETS					
Current Assets:					
Cash and investments	$ 302	$ 4,801	$ 2,301	$ 5,442	$ -
Receivables, net of allowances:					
Interest	-	29	8	58	666
Loan and note	-	-	-	-	51,019
Other	814	2,260	504	137	-
Due from U.S. Government	50	-	-	-	-
Due from other Funds	7	-	-	-	730
Inventories, at cost	3,639	2,632	2,810	-	-
Other current assets	-	52	773	33	-
Total Current Assets	4,812	9,774	6,396	5,670	52,415
Noncurrent Assets:					
Restricted cash and cash equivalents	-	-	-	333	141,335
Loan and note receivables, net of allowances	-	-	-	-	55,100
Capital assets:					
Land, construction in progress and collections	182	1,098	8	165	-
Depreciable buildings, property and equipment	6,452	8,092	3,406	24,421	-
Less: accumulated depreciation	(4,575)	(6,151)	(1,975)	(18,727)	-
Total Noncurrent Assets	2,059	3,039	1,439	6,192	196,435
Total Assets	6,871	12,813	7,835	11,862	248,850
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	1,423	438	286	93	-
Accrued liabilities	96	126	60	53	4
Due to others	-	-	-	-	-
Due to other Funds	-	-	-	-	20,000
Deferred revenue	-	-	4,411	-	-
Current portion of other long-term liabilities	7	232	117	177	17
Total Current Liabilities	1,526	796	4,874	323	20,021
Noncurrent Liabilities:					
Long-term debt	-	-	-	-	145,536
Other long-term liabilities	172	-	-	-	-
Total Noncurrent Liabilities	172	-	-	-	145,536
Total Liabilities	1,698	796	4,874	323	165,557
NET ASSETS					
Invested in capital assets, net of related debt	2,059	3,039	1,439	5,859	-
Restricted for:					
Loans and other financial assistance	-	-	-	-	83,293
Other purposes	-	-	-	-	-
Unrestricted	3,114	8,978	1,522	5,680	-
Total Net Assets	$ 5,173	$ 12,017	$ 2,961	$ 11,539	$ 83,293

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 4,032	$ 1,631	$ 18,509
-	2	763
-	-	51,019
21	901	4,637
-	-	50
1,914	-	2,651
-	107	9,188
-	-	858
5,967	2,641	87,675
3,008	-	144,676
-	-	55,100
-	980	2,433
76	12,690	55,137
(63)	(2,234)	(33,725)
3,021	11,436	223,621
8,988	14,077	311,296
30	84	2,354
866	-	1,205
-	165	165
3,009	-	23,009
2,841	-	7,252
37	-	587
6,783	249	34,572
-	-	145,536
-	-	172
-	-	145,708
6,783	249	180,280
13	8	12,417
-	-	83,293
2,182	-	2,182
10	13,820	33,124
$ 2,205	$ 13,828	$ 131,016

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

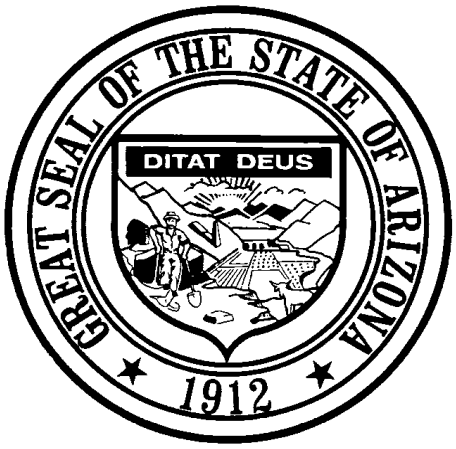
	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
OPERATING REVENUES					
Sales and charges for services	15,237	17,192	9,605	10,159	-
Intergovernmental	554	-	-	-	-
Licenses, fees and permits	-	-	-	-	-
Earnings on investments	-	-	-	-	1,246
Other	3	-	381	1,088	-
Total Operating Revenues	15,794	17,192	9,986	11,247	1,246
OPERATING EXPENSES					
Cost of sales and benefits	11,122	14,737	6,640	1,696	-
Personal services	2,406	1,025	2,805	4,420	251
Contractual services	840	36	433	2,248	140
Depreciation and amortization	464	720	322	1,091	-
Insurance	248	-	-	369	-
Other	446	481	501	1,185	4,874
Total Operating Expenses	15,526	16,999	10,701	11,009	5,265
Operating Income (Loss)	268	193	(715)	238	(4,019)
NON-OPERATING REVENUES (EXPENSES)					
Interest income	1	232	84	172	5,540
(Loss) on sale of fixed assets	-	-	(1)	-	-
Total Non-Operating Revenues (Expenses)	1	232	83	172	5,540
Income (Loss) Before Contributions and Transfers	269	425	(632)	410	1,521
CONTRIBUTIONS AND TRANSFERS					
Gifts and donations	-	8	-	-	-
Transfers in	125	-	-	-	-
Transfers out	-	(2,000)	-	-	-
Total Transfers	125	(1,992)	-	-	-
Change in Net Assets	394	(1,567)	(632)	410	1,521
Total Net Assets - Beginning, as restated	4,779	13,584	3,593	11,129	81,772
Total Net Assets - Ending	$ 5,173	$ 12,017	$ 2,961	$ 11,539	$ 83,293

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
21,019	10,909	84,121
-	-	554
-	700	700
-	-	1,246
-	64	1,536
21,019	11,673	88,157
23,264	368	57,827
624	8,142	19,673
209	387	4,293
7	341	2,945
-	159	776
169	1,994	9,650
24,273	11,391	95,164
(3,254)	282	(7,007)
235	17	6,281
-	-	(1)
235	17	6,280
(3,019)	299	(727)
-	-	8
5,055	253	5,433
(3,023)	-	(5,023)
2,032	253	418
(987)	552	(309)
3,192	13,276	131,325
$ 2,205	$ 13,828	$ 131,016

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 15,785	$ 17,608	$ 9,612	$ 10,250	$ -
Receipts from program loans	-	-	-	-	45,889
Receipts from other operating activities	3	-	381	1,088	-
Program loans made to local governments	-	-	-	-	(74,337)
Payments to employees	(2,301)	(946)	(7,352)	(4,407)	(238)
Payments to suppliers	(13,326)	(16,746)	(2,812)	(5,494)	-
Net cash provided (used) by operating activities	161	(84)	(171)	1,437	(28,686)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other Funds	118	-	-	-	-
Transfers to other Funds	-	(2,000)	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	118	(2,000)	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(27)	(370)	(6)	(2,027)	-
Net Cash (Used) by Capital and Related Financing Activities	(27)	(370)	(6)	(2,027)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends from investments	1	248	82	238	5,625
Net Cash Provided by Investing Activities	1	248	82	238	5,625
Net Increase (Decrease) in Cash and Cash Equivalents	253	(2,206)	(95)	(352)	(23,061)
Cash and Cash Equivalents - Beginning, as restated	49	7,007	2,396	6,127	164,396
Cash and Cash Equivalents - Ending	$ 302	$ 4,801	$ 2,301	$ 5,775	$ 141,335
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 268	$ 193	$ (715)	$ 238	$ (4,019)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	464	720	322	1,091	-
Other non-cash expenses	-	-	-	-	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(75)	416	17	91	(69,323)
(Increase) decrease in due from other Funds	69	-	-	-	(178)
(Increase) decrease in inventories, at cost	(361)	(427)	115	-	-
(Increase) decrease in other current assets	-	(2)	(51)	(29)	-
Increase (decrease) in accounts payable	(309)	(905)	158	-	-
Increase (decrease) in accrued liabilities	96	57	(124)	(20)	(4)
Increase in due to others	-	-	-	-	-
(Decrease) in due to other Funds	-	-	-	-	(100,715)
(Decrease) in deferred revenue	-	-	(10)	-	-
Increase (decrease) in other current liabilities	-	(158)	-	33	-
Increase in long-term debt	-	-	-	-	145,536
Increase in other long-term liabilities	9	22	117	33	17
Net Cash Provided (Used) by Operating Activities	$ 161	$ (84)	$ (171)	$ 1,437	$ (28,686)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Donated equipment	$ -	$ 8	$ -	$ -	$ -
Total noncash investing, capital and financing activities	$ -	$ 8	$ -	$ -	$ -

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 20,449	$ 11,133	$ 84,837
-	-	45,889
-	33	1,505
-	-	(74,337)
(587)	(8,142)	(23,973)
(24,006)	(1,570)	(63,954)
(4,144)	1,454	(30,033)
3,141	253	3,512
(14)	-	(2,014)
3,127	253	1,498
-	(980)	(3,410)
-	(980)	(3,410)
257	16	6,467
257	16	6,467
(760)	743	(25,478)
7,800	888	188,663
$ 7,040	$ 1,631	$ 163,185
$ (3,254)	$ 282	$ (7,007)
7	341	2,945
-	1,156	1,156
(19)	(507)	(69,400)
-	-	(109)
-	85	(588)
-	10	(72)
30	34	(992)
(394)	-	(389)
-	53	53
-	-	(100,715)
(551)	-	(561)
-	-	(125)
-	-	145,536
37	-	235
$ (4,144)	$ 1,454	$ (30,033)
$ -	$ -	$ 8
$ -	$ -	$ 8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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Technologies and Telecommunications Fund receives monies from State agencies for services related to the operation of the data processing and telecommunications programs.

The Sick Leave Liability Fund (RASL) accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for use of State vehicles and uses these monies for operation of the State Motor Pool.

The Other Internal Service Fund consists of the Department of Administration's Special Services Revolving Fund, State Surplus Property Fund, Federal Surplus Property Fund, Personnel Division Fund, and Construction Insurance Fund; and the Government Information Technology Agency's Information Technology Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS	SICK LEAVE LIABILITY
ASSETS					
Current Assets:					
Cash and investments	$ 29,082	$ 3,711	$ 45,445	$ 8,618	$ 3,333
Receivables, net of allowances:					
Interest	-	23	-	-	-
Other	57	-	6,340	2,708	2
Due from local governments	-	38	-	-	-
Due from other Funds	-	168	-	1,279	-
Inventories, at cost	-	2,309	-	-	-
Other current assets	1,387	-	-	35	1,514
Total Current Assets	30,526	6,249	51,785	12,640	4,849
Noncurrent Assets:					
Capital assets:					
Land, construction in progress and collections	-	-	-	873	-
Depreciable buildings, property and equipment	435	115,111	-	36,967	-
Less: accumulated depreciation	(179)	(72,001)	-	(27,404)	-
Total Noncurrent Assets	256	43,110	-	10,436	-
Total Assets	30,782	49,359	51,785	23,076	4,849
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	3,148	278	29,413	2,577	1,287
Accrued liabilities	82	225	-	193	-
Due to U.S. Government	-	-	-	-	838
Due to others	-	-	-	-	-
Due to other Funds	10	2	244	2	-
Current portion of long-term debt	-	2,332	-	509	-
Current portion of other long-term liabilities	250	464	-	742	4,759
Total Current Liabilities	3,490	3,301	29,657	4,023	6,884
Noncurrent Liabilities:					
Accrued insurance losses	234,331	-	-	-	-
Long-term debt	-	3,361	-	979	-
Other long-term liabilities	-	155	-	-	4,823
Total Noncurrent Liabilities	234,331	3,516	-	979	4,823
Total Liabilities	237,821	6,817	29,657	5,002	11,707
NET ASSETS					
Invested in capital assets, net of related debt	256	37,417	-	8,948	-
Unrestricted	(207,295)	5,125	22,128	9,126	(6,858)
Total Net Assets	$ (207,039)	$ 42,542	$ 22,128	$ 18,074	$ (6,858)

MOTOR POOL	OTHER	TOTAL
$ 7,817	$ 3,769	$ 101,775
-	2	25
1,416	287	10,810
-	-	38
605	61	2,113
20	396	2,725
4	2,768	5,708
9,862	7,283	123,194
-	-	873
41,370	3,451	197,334
(22,673)	(2,527)	(124,784)
18,697	924	73,423
28,559	8,207	196,617
497	351	37,551
11	182	693
-	-	838
-	113	113
1	260	519
-	-	2,841
26	10	6,251
535	916	48,806
-	-	234,331
-	-	4,340
-	123	5,101
-	123	243,772
535	1,039	292,578
18,697	924	66,242
9,327	6,244	(162,203)
$ 28,024	$ 7,168	$ (95,961)

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS	SICK LEAVE LIABILITY
OPERATING REVENUES					
Sales and charges for services	77,148	29,721	345,703	32,137	9,360
Other	296	907	-	414	-
Total Operating Revenues	77,444	30,628	345,703	32,551	9,360
OPERATING EXPENSES					
Cost of sales and benefits	-	10,792	340,424	11,273	7,994
Personal services	4,224	10,140	-	10,172	-
Contractual services	26,410	603	-	805	-
Aid to local governments	-	-	-	-	-
Depreciation and amortization	60	8,274	-	4,417	-
Insurance	43,653	605	-	245	-
Other	1,369	952	-	1,959	-
Total Operating Expenses	75,716	31,366	340,424	28,871	7,994
Operating Income (Loss)	1,728	(738)	5,279	3,680	1,366
NON-OPERATING REVENUES (EXPENSES)					
Gain on sale of fixed assets	-	-	-	-	-
Interest income	-	166	-	-	-
Interest expense	-	(330)	-	-	-
Total Non-Operating Revenues (Expenses)	-	(164)	-	-	-
Income (Loss) Before Contributions and Transfers	1,728	(902)	5,279	3,680	1,366
CONTRIBUTIONS AND TRANSFERS					
Gifts and donations	-	-	-	-	-
Transfers in	6	-	-	-	-
Transfers out	(545)	(1,089)	-	(233)	(3,464)
Total Contributions and Transfers	(539)	(1,089)	-	(233)	(3,464)
Change in Net Assets	1,189	(1,991)	5,279	3,447	(2,098)
Total Net Assets - Beginning, as restated	(208,228)	44,533	16,849	14,627	(4,760)
Total Net Assets - Ending	$ (207,039)	$ 42,542	$ 22,128	$ 18,074	$ (6,858)

MOTOR POOL	OTHER	TOTAL
13,355	17,344	524,768
51	3,563	5,231
13,406	20,907	529,999
3,386	3,458	377,327
568	8,563	33,667
134	3,553	31,505
-	51	51
5,275	265	18,291
928	6,364	51,795
1,005	2,505	7,790
11,296	24,759	520,426
2,110	(3,852)	9,573
143	-	143
-	20	186
-	-	(330)
143	20	(1)
2,253	(3,832)	9,572
452	-	452
-	-	6
(3,010)	(6,873)	(15,214)
(2,558)	(6,873)	(14,756)
(305)	(10,705)	(5,184)
28,329	17,873	(90,777)
$ 28,024	$ 7,168	$ (95,961)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	$ 77,441	$ 30,364	$ 346,520	$ 33,687
Receipts from other operating activities	-	907	-	414
Payments to suppliers and insurance companies	(72,043)	(12,581)	(335,478)	(16,813)
Payments to retirees	-	-	-	-
Payments to employees	(4,200)	(10,236)	-	(10,114)
Payments to local governments	-	-	-	-
Payments for other operating activities	-	-	-	(17)
Net Cash Provided (Used) by Operating Activities	1,198	8,454	11,042	7,157
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Grants and gifts received	-	-	-	-
Transfers from other Funds	6	-	-	-
Interest Paid	-	(330)	-	-
Transfers to other Funds	(545)	(1,089)	-	(233)
Net Cash (Used) by Non-capital Financing Activities	(539)	(1,419)	-	(233)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt, installment purchase contracts and capital leases	-	362	-	1,488
Acquisition and construction of capital assets	(183)	(7,172)	-	(4,438)
Principal paid on capital debt, installment purchase contracts and capital leases	-	(2,152)	-	-
Net Cash (Used) by Capital and Related Financing Activities	(183)	(8,962)	-	(2,950)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	198	-	-
Net Cash Provided by Investing Activities	-	198	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	476	(1,729)	11,042	3,974
Cash and Cash Equivalents - Beginning, as restated	28,606	5,440	34,403	4,644
Cash and Cash Equivalents - Ending	$ 29,082	$ 3,711	$ 45,445	$ 8,618

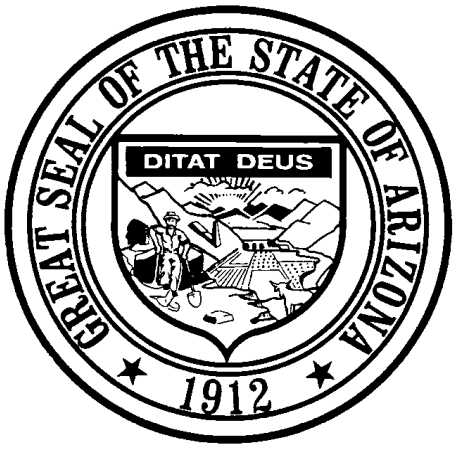
SICK LEAVE LIABILITY	MOTOR POOL	OTHER	TOTAL
$ 10,196	$ 14,085	$ 17,406	$ 529,699
-	51	3,563	4,935
-	(5,786)	(13,006)	(455,707)
(7,607)	-	-	(7,607)
(166)	(564)	(8,691)	(33,971)
-	-	(51)	(51)
-	-	-	(17)
2,423	7,786	(779)	37,281
-	452	-	452
-	-	-	6
-	-	-	(330)
(3,464)	(3,010)	(6,873)	(15,214)
(3,464)	(2,558)	(6,873)	(15,086)
-	-	-	1,850
-	(2,288)	(212)	(14,293)
-	-	(8)	(2,160)
-	(2,288)	(220)	(14,603)
-	-	22	220
-	-	22	220
(1,041)	2,940	(7,850)	7,812
4,374	4,877	11,619	93,963
$ 3,333	$ 7,817	$ 3,769	$ 101,775

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 1,728	$ (738)	$ 5,279	$ 3,680
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	60	8,274	-	4,417
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	(3)	49	401	600
Decrease in due from local governments	-	496	-	-
Decrease in due from other Funds	-	98	416	950
Decrease in inventories, at cost	-	140	-	-
(Increase) decrease in other current assets	(610)	-	-	(19)
Increase (decrease) in accounts payable	(368)	81	5,975	(2,520)
Increase (decrease) in accrued liabilities	7	(96)	-	2
Increase in due to U.S. Government	-	-	-	-
(Decrease) in due to local governments	-	(7)	-	-
Increase in due to others	-	-	-	-
Increase (decrease) in due to other Funds	(287)	2	(1,029)	(9)
(Decrease) in deferred revenue	-	-	-	-
Increase in other current liabilities	-	-	-	-
Increase in long-term accrued insurance losses	654	-	-	-
Increase in other long-term liabilities	17	155	-	56
Net Cash Provided (Used) by Operating Activities	$ 1,198	$ 8,454	$ 11,042	$ 7,157
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Assets acquired under capital leases	$ -	$ -	$ -	$ 1,571
Total noncash investing, capital and financing activities	$ -	$ -	$ -	$ 1,571

SICK LEAVE LIABILITY	MOTOR POOL	OTHER	TOTAL
$ 1,366	$ 2,110	$ (3,852)	$ 9,573
-	5,275	265	18,291
(2)	360	(44)	1,361
-	-	-	496
-	370	110	1,944
-	-	169	309
(1,514)	(4)	2,333	186
(124)	(329)	316	3,031
(166)	1	(138)	(390)
838	-	-	838
-	-	-	(7)
-	-	113	113
-	-	(57)	(1,380)
-	-	(4)	(4)
1,287	-	-	1,287
-	-	-	654
738	3	10	979
$ 2,423	$ 7,786	$ (779)	$ 37,281
$ -	$ -	$ -	$ 1,571
$ -	$ -	$ -	$ 1,571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PENSION TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

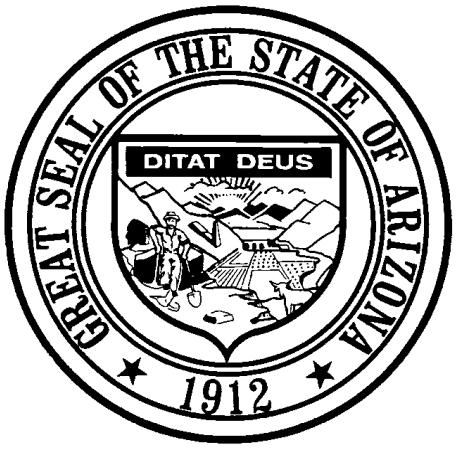
The Corrections Officer Retirement Plan is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS'	CORRECTIONS OFFICER	TOTAL
ASSETS					
Cash and cash equivalents	$ 13,012	$ -	$ -	$ -	$ 13,012
Receivables, net of allowances:					
Accrued interest and dividends	74,050	24,778	1,437	3,374	103,639
Securities sold	188,868	-	-	-	188,868
Forward contract receivable	37,659	-	-	-	37,659
Contributions	9,210	7,727	89	264	17,290
Court fees	-	-	288	-	288
Miscellaneous receivables	998	-	-	-	998
Total receivables	310,785	32,505	1,814	3,638	348,742
Investments, at fair value:					
Temporary investments	2,304,740	-	-	-	2,304,740
United States Government securities	3,992,595	458,710	37,487	83,768	4,572,560
Corporate bonds	1,620,530	659,356	45,294	103,402	2,428,582
Corporate notes	-	135,430	10,495	29,486	175,411
Corporate stocks	13,106,626	2,210,717	162,638	341,649	15,821,630
Real estate mortgages and contracts	30,213	-	-	-	30,213
Collateral investment pool	-	1,024,097	83,769	173,550	1,281,416
Other investments	-	198,471	7,612	22,817	228,900
Money market fund	-	672	227	1,568	2,467
Total investments	21,054,704	4,687,453	347,522	756,240	26,845,919
Property and equipment, net of accumulated depreciation	-	457	-	-	457
Total Assets	21,378,501	4,720,415	349,336	759,878	27,208,130
LIABILITIES					
Accounts payable	39,898	-	-	-	39,898
Obligation under securities loan agreements	1,673,524	1,024,097	83,769	173,550	2,954,940
Other	455,270	-	-	-	455,270
Total Liabilities	2,168,692	1,024,097	83,769	173,550	3,450,108
NET ASSETS					
Held in Trust for Pension Benefits	$ 19,209,809	$ 3,696,318	$ 265,567	$ 586,328	$ 23,758,022

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS'	CORRECTIONS OFFICER	TOTAL
ADDITIONS:					
Member contributions	$ 168,213	$ 62,487	$ 3,596	$ 29,532	$ 263,828
Employer contributions	168,213	51,983	172	7,101	227,469
Member reimbursements	49,365	-	-	-	49,365
Court fees	-	-	3,485	-	3,485
Investment income:					
Net (decrease) in fair value of investments	(2,228,394)	(774,840)	(57,508)	(118,847)	(3,179,589)
Interest income	311,212	102,871	7,541	15,650	437,274
Dividends	149,442	15,682	1,144	2,405	168,673
Real estate	5,885	-	-	-	5,885
Other investment income	11,689	-	-	-	11,689
Securities lending income	43,642	2,149	167	340	46,298
Total investment income (loss)	(1,706,524)	(654,138)	(48,656)	(100,452)	(2,509,770)
Less investment expenses:					
Investment activity expenses	25,218	432	29	66	25,745
Security lending expenses:					
Interest expense	36,335	-	-	-	36,335
Net investment income (loss)	(1,768,077)	(654,570)	(48,685)	(100,518)	(2,571,850)
Other additions	1,467	6,184	434	-	8,085
Total Additions	(1,380,819)	(533,916)	(40,998)	(63,885)	(2,019,618)
DEDUCTIONS:					
Retirement and disability benefits	1,054,967	185,035	19,529	17,576	1,277,107
Death benefits	14,078	-	-	-	14,078
Refunds to withdrawing members, including interest	42,765	6,058	(6)	14,271	63,088
Administrative expense	18,532	735	71	397	19,735
Other deductions	9,573	-	-	735	10,308
Total Deductions	1,139,915	191,828	19,594	32,979	1,384,316
Change in net assets held in trust for pension benefits	(2,520,734)	(725,744)	(60,592)	(96,864)	(3,403,934)
Net Assets - Beginning	21,730,543	4,422,062	326,159	683,192	27,161,956
Net Assets - Ending	$ 19,209,809	$ 3,696,318	$ 265,567	$ 586,328	$ 23,758,022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INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State in a trustee capacity for local governments and political subdivisions, of the State of Arizona, which have elected to invest idle cash with the State Treasurer's Office. The Treasurer acts as trustee for the deposits made by participants.

Central Arizona Water Conservation District was an Investment Trust Account composed of corporate debt and United States Government securities. The Central Arizona Water Conservation District was the only participant in the account. As of June 30, 2002, all assets had been transferred to the Local Government Investment Pool.

Local Government Investment Pool is an Investment Trust Account composed of corporate debt, negotiable certificates of deposit and United States Government securities.

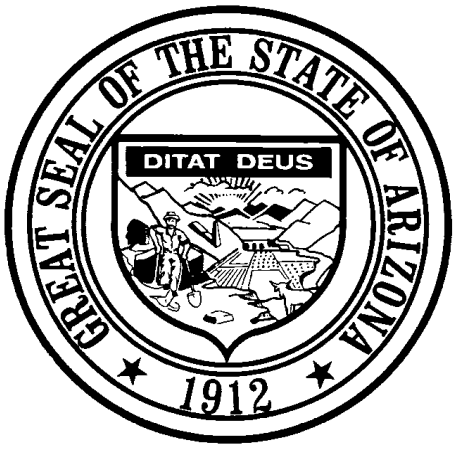
Local Government Investment Pool-Government is an Investment Trust Account composed of repurchase agreements and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
ASSETS				
Receivables, net of allowances:				
Accrued interest and dividends	-	8,640	109	8,749
Total receivables	-	8,640	109	8,749
Investments, at fair value:				
United States Government securities	$ -	$ 231,637	$ 217,315	$ 448,952
Corporate bonds	-	3,127,673	-	3,127,673
Total investments	-	3,359,310	217,315	3,576,625
Total Assets	-	3,367,950	217,424	3,585,374
LIABILITIES				
Due to local governments	-	11,550	4	11,554
Total Liabilities	-	11,550	4	11,554
NET ASSETS				
Held in trust for pool participants	$ -	$ 3,356,400	$ 217,420	$ 3,573,820
Net assets consist of:				
Participant shares outstanding	-	3,356,400	217,420	3,573,820
Participants' net asset value (net assets/shares outstanding)	$ -	$ 1.00	$ 1.00	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
ADDITIONS:				
Investment income:				
Net (decrease) in fair value of investments	$ (592)	$ (797)	$ (90)	$ (1,479)
Interest income	7,955	85,967	5,722	99,644
Total investment income	7,363	85,170	5,632	98,165
Less: Investment activity expenses	152	2,383	193	2,728
Net investment income	7,211	82,787	5,439	95,437
Capital share and individual account transactions:				
Shares sold	81,573	4,488,304	258,450	4,828,327
Reinvested interest income	8,480	95,031	6,219	109,730
Shares redeemed	(290,252)	(4,286,523)	(252,078)	(4,828,853)
Net capital share and individual account transactions	(200,199)	296,812	12,591	109,204
Total Additions	(192,988)	379,599	18,030	204,641
DEDUCTIONS:				
Dividends to investors	7,211	82,787	5,439	95,437
Total Deductions	7,211	82,787	5,439	95,437
Change in net assets held in trust for pool participants	(200,199)	296,812	12,591	109,204
Net Assets - Beginning	200,199	3,059,588	204,829	3,464,616
Net Assets - Ending	$ -	$ 3,356,400	$ 217,420	$ 3,573,820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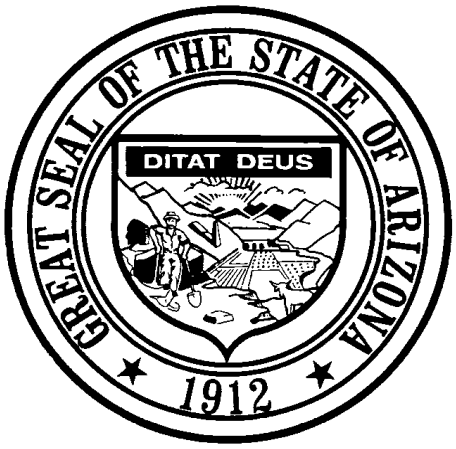
AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits made with the State Treasurer for investment purposes.

The Other Funds consists of various funds where the State acts as an agent for distribution to other governmental units or organizations.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STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2002
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES	OTHER TREASURER FUNDS	OTHER	TOTAL
ASSETS				
Cash and investments	$ -	$ 13,591	$ 238,643	$ 252,234
Receivables, net of allowances:				
Interest	-	39	130	169
Other	-	-	876	876
Custodial securities in safekeeping	3,013,547	-	-	3,013,547
Other assets	-	-	2,215	2,215
Total Assets	$ 3,013,547	$ 13,630	$ 241,864	$ 3,269,041
LIABILITIES				
Accounts payable	$ -	$ -	$ 13	$ 13
Accrued liabilities	-	-	31,995	31,995
Due to local governments	-	1,369	1,363	2,732
Due to others	3,013,547	11,923	76,430	3,101,900
Other liabilities	-	338	132,063	132,401
Total Liabilities	$ 3,013,547	$ 13,630	$ 241,864	$ 3,269,041

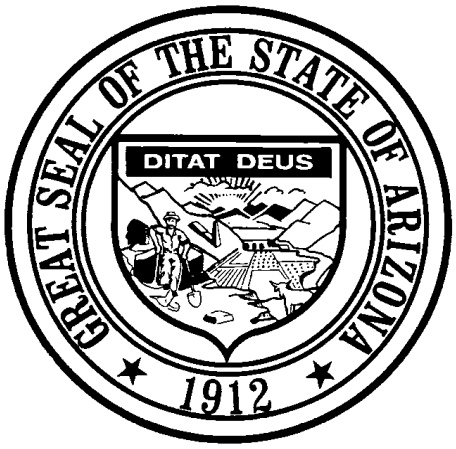
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 2001	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2002
TREASURER CUSTODIAL SECURITIES				
Assets:				
Custodial securities in safekeeping	$ 3,018,291	$ 974,714	$ 979,458	$ 3,013,547
Total Assets	$ 3,018,291	$ 974,714	$ 979,458	$ 3,013,547
Liabilities:				
Due to others	$ 3,018,291	$ 974,714	$ 979,458	$ 3,013,547
Total Liabilities	$ 3,018,291	$ 974,714	$ 979,458	$ 3,013,547
OTHER TREASURER FUNDS				
Assets:				
Cash and investments	$ 44,984	$ 384,345	$ 415,738	$ 13,591
Interest receivable	67	39	67	39
Total Assets	$ 45,051	$ 384,384	$ 415,805	$ 13,630
Liabilities:				
Accounts payable	$ -	$ 52,284	$ 52,284	$ -
Due to local governments	7,078	333,318	339,027	1,369
Due to others	11,716	17,682	17,475	11,923
Due to other Funds	26,069	-	26,069	-
Other liabilities	188	217	67	338
Total Liabilities	$ 45,051	$ 403,501	$ 434,922	$ 13,630

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 2001	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2002
OTHER AGENCY FUNDS				
Assets:				
Cash and investments	$ 117,182	$ 774,452	$ 652,991	$ 238,643
Receivables, net of allowances:				
Interest	47	130	47	130
Other	12,232	882	12,238	876
Due from other Funds	153	-	153	-
Other assets	-	2,215	-	2,215
Total Assets	$ 129,614	$ 777,679	$ 665,429	$ 241,864
Liabilities:				
Accounts payable	$ 1,789	$ 55,238	$ 57,014	$ 13
Accrued liabilities	26,686	31,995	26,686	31,995
Due to local governments	1,434	1,998	2,069	1,363
Due to others	73,445	94,474	91,489	76,430
Due to other Funds	1,824	3,680	5,504	-
Other liabilities	24,436	578,087	470,460	132,063
Total Liabilities	$ 129,614	$ 765,472	$ 653,222	$ 241,864
COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and investments	$ 162,166	$ 1,158,797	$ 1,068,729	$ 252,234
Receivables, net of allowances:				
Interest	114	169	114	169
Other	12,232	882	12,238	876
Due from other Funds	153	-	153	-
Custodial securities in safekeeping	3,018,291	974,714	979,458	3,013,547
Other assets	-	2,215	-	2,215
Total Assets	$ 3,192,956	$ 2,136,777	$ 2,060,692	$ 3,269,041
Liabilities:				
Accounts payable	$ 1,789	$ 107,522	$ 109,298	$ 13
Accrued liabilities	26,686	31,995	26,686	31,995
Due to local governments	8,512	335,316	341,096	2,732
Due to others	3,103,452	1,086,870	1,088,422	3,101,900
Due to other Funds	27,893	3,680	31,573	-
Other liabilities	24,624	578,304	470,527	132,401
Total Liabilities	$ 3,192,956	$ 2,143,687	$ 2,067,602	$ 3,269,041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ARIZONA MINING AND MINERAL MUSEUM

BUDGETARY COMPARISON SCHEDULE

OTHER GOVERNMENTAL FUNDS

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
OTHER GOVERNMENTAL FUNDS			
Certificates of Deposit Debt Service			
General Fund Transfer 2nd Special Session Chapter 4	$ 0	$ 3,600,000	$ 3,600,000
Accountancy Board			
Administrative Adjustments	0	2,527	2,527
Operating Lump Sum Appropriation	2,116,600	2,118,300	1,607,307
Department of Administration			
Employee Bus Subsidy	475,400	475,400	396,264
Government Building Defibrillators	0	50,000	0
Arizona State Hospital Construction FY00 - 01	17,786,623	17,786,623	16,879,337
Arizona State Hospital Construction FY01 - 02	0	20,000,000	2,646,161
Arizona State Hospital Construction FY99 - 00	12,689,939	12,689,939	10,273,328
ADJC HVAC Replacements/Renovations	1,482,000	50,000	34,772
Administrative Adjustments	0	6,476	6,476
ASPC at Douglas Wastewater Treatment	240,994	240,994	87,854
ASPC Perryville Security Improvements	30,720	30,720	18,772
ASPC Prison Beds - Globe	351,579	351,579	0
Aspen Facility FY95	25,290	0	0
Build-Out New DJC Secure Care Complex	364,678	364,678	33,846
Department of Corrections Building Renewal	5,518,800	2,705,400	1,470,621
Department of Corrections Lock Replacement	18,538,600	1,000,000	513,969
Department of Corrections Safety Improvements	1,379,400	1,379,400	16,857
Department of Juvenile Corrections Building Renewal	440,800	400	0
Department of Juvenile Corrections Medical Unit	785,000	185,000	43,149
Florence - 400 Modular and Tent Beds FY96 - 97	90	90	0
Fort Grant Landfill Closure	555,300	555,300	6,019
General Fund Transfer 1st Regular Session Chapter 232	0	15,000,000	15,000,000
General Fund Transfer 2nd Special Session Chapter 4	0	34,500,000	34,500,000
High Security Juvenile Facility	275,061	275,061	0
New Prison Complex FY00 - 01	21,904,446	2	0
New Prison Complex FY99 - 00	14,608,416	2,574,660	74,992
New Prison Complex Planning Site Acquisition FY95 - 96	197,940	197,940	0
Operating Lump Sum Appropriation	580,900	584,400	561,434
Prison Planning and Siting FY98 - 99	613,291	613,291	12,045
Southwest Regional Prison Complex FY96 - 97	792	792	0
Southwest Regional Prison Complex FY97 - 98	111,926	111,926	9,979
Southwest Regional Prison Complex FY98 - 99	1,535,923	1,535,923	461,997
Yuma Complex - 800 Male Beds FY95 - 96	297,516	297,516	97
Yuma Complex - 800 Male Beds FY96 - 97	143,759	143,759	60,376
PLTO 1 Backfill Agency Relocations	50,000	50,000	0
PLTO 1 Project Management	162,400	162,400	120,955
Sexually Violent Persons Facility	148,173	148,173	81,889
Arizona Pioneers' Home Fire and Life Safety	240,935	240,935	174,972
Arizona Pioneers' Home Plumbing Renovations	325,200	325,200	196,257
Building Renewal Pioneers' Home	180,600	111,600	21,545
Statewide Prison Maintenance FY93 - 94	9,724	9,724	0
Radiation Regulatory Agency			
Administrative Adjustments	0	166	166
Medical Radiological Technology Board	193,800	194,300	183,041
Attorney General			
Administrative Adjustments	0	1,872	1,872
Administrative Adjustments	0	6,315	6,315
Administrative Adjustments	0	32,090	32,090
General Fund Transfer 2nd Special Session Chapter 4	0	1,250,000	1,250,000

STATE OF ARIZONA
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OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Operating Lump Sum Appropriation	2,021,800	2,025,400	1,990,369
Operating Lump Sum Appropriation	16,744,000	16,768,100	15,533,536
Operating Lump Sum Appropriation	0	100,000	0
Victims' Rights Implementation Fund	2,639,100	3,145,000	3,109,974
Victims' Rights/Non Revert - HB 2427	1,278,850	1,278,850	568,254
Administrative Adjustments	0	4,448	4,448
Administrative Adjustments	0	2,895	2,895
Operating Lump Sum Appropriation	1,714,000	1,717,200	1,050,389
Operating Lump Sum Appropriation	378,100	379,000	362,427
Department of Agriculture			
Administrative Adjustments	0	65	0
Administrative Adjustments	0	752	752
Administrative Adjustments	0	6,511	6,511
Administrative Adjustments	0	3,384	3,384
Administrative Adjustments	0	40,025	40,025
Administrative Adjustments	0	692	0
Administrative Adjustments	0	154	154
Aquaculture	9,200	9,200	4,247
Citrus, Fruit and Vegetable Standardization	930,000	932,200	675,880
Commercial Feed Program	199,300	199,600	192,234
Consulting and Training	61,700	61,800	61,790
Dangerous Plants, Pests and Diseases	21,400	21,400	14,108
Egg Inspection	467,400	468,400	334,413
Fertilizer Materials Program	257,600	258,000	252,177
General Fund Transfer 2nd Special Session Chapter 4	0	92,900	92,900
Livestock Custody Program	79,400	79,400	70,760
Native Plant Program	238,100	238,700	187,751
Organic Food Certification	12,500	0	0
Pesticide Program	234,700	235,200	228,319
Ratite Control Program	8,900	0	0
Ratite General Fund FY98 - 99	71,786	71,786	0
Seed Law Program	50,900	50,900	23,694
Wine Promotion	54,858	54,858	0
Acupuncture Board of Examiners			
Operating Lump Sum Appropriation	51,400	58,400	54,455
Appraisal Board			
Administrative Adjustments	0	1,052	1,052
Operating Lump Sum Appropriation	449,000	449,600	449,596
Arizona State University			
Drug and Gang Prevention Resource Center	4,769,000	4,769,000	0
Automobile Theft Authority			
Administrative Adjustments	0	1,774	1,774
Auto Theft Authority Grants	3,464,600	3,465,200	3,453,000
Operating Lump Sum Appropriation	422,600	422,600	419,077
Barber Examiners Board			
Administrative Adjustments	0	1,292	1,292
Operating Lump Sum Appropriation	194,700	195,000	190,642
Board of Behavioral Health Examiners			
Administrative Adjustments	0	3,498	3,498
Operating Lump Sum Appropriation	667,000	668,200	585,392
Board of Nursing			
Administrative Adjustments	0	4,545	4,545
Operating Lump Sum Appropriation	2,892,300	2,897,300	2,896,703

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FOR THE YEAR ENDED JUNE 30, 2002
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	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Cosmetology Board			
Operating Lump Sum Appropriation FY00 - 01	56,992	56,992	8,460
Operating Lump Sum Appropriation FY01 - 02	1,604,500	1,607,100	1,242,057
Corporation Commission			
Administrative Adjustments	0	131,556	131,556
Administrative Adjustments	0	12,776	12,776
Administrative Adjustments	0	14,943	14,943
General Fund Transfer 2nd Special Session Chapter 4	0	1,000,000	1,000,000
Hearing Division Salary Correction	1,036,600	1,037,600	738,638
Investigation and Prosecution of Security Fraud	165,599	165,599	0
Investment Management Act	739,100	740,000	732,951
Operating Lump Sum Appropriation	9,498,900	9,506,000	8,991,771
Operating Lump Sum Appropriation	1,785,700	1,786,400	1,733,969
Operating Lump Sum Appropriation	36,000	36,000	0
Pipeline Safety Inspection and Training	73,000	73,000	73,000
Securities Revolving Fund	3,147,800	3,149,500	2,847,051
Supplemental - Utility Audits 44th Leg 2nd RS	4,498	4,498	0
Supplemental - Utility Audits 45th Leg 1st RS	380,270	380,270	0
Utility Audits, Studies, Investigations and Rate Hearings FY00 - 01	62,500	62,500	(68,111)
Utility Audits, Studies, Investigations and Rate Hearings FY01 - 02	380,000	380,000	0
Utility Audits, Studies, Investigations and Rate Hearings FY97 - 98	38,000	38,000	0
Utility Audits, Studies, Investigations and Rate Hearings FY98 - 99	8,000	8,000	0
Chiropractic Examiners Board			
Administrative Adjustments	0	2,441	2,441
Operating Lump Sum Appropriation	346,900	377,500	336,196
Community Colleges Board			
Operating Lump Sum Appropriation	167,700	168,000	160,473
Department of Corrections			
Administrative Adjustments	0	5,829	5,829
General Fund Transfer 2nd Special Session Chapter 4	0	1,000,000	1,000,000
Inmate Education, Treatment and Work Programs Operating Lump Sum Appropriation	449,300	449,300	369,923
Administration	155,700	0	0
ASPC Yuma - Shingle Cocopah Dorms/Reseal Roof	0	54,000	0
Health Care - Contingency Bed Openings	626,400	8,500,000	7,677,583
Inspections and Investigations - Contingency Bed Openings	88,700	0	0
Prison Management and Support - Operating Lump Sum Appropriation	1,113,800	1,083,500	1,043,700
Private Prisons - Contingency Bed Openings	5,719,300	0	0
Security - Contingency Bed Openings	4,519,000	0	0
Administrative Adjustments	0	14,020	14,020
Administrative Adjustments	0	56,677	56,677
Prison Management and Support - Operating Lump Sum Appropriation	1,375,000	0	0
Prison Operations and Services - Security - Operating Lump Sum Appropriation	0	1,375,000	1,366,823
Prison Operations and Services - Security - Operating Lump Sum Appropriation	270,000	270,000	105,241
State Charitable Penal and Reformatory Land Earnings	0	262,260	26,924

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	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Department of Economic Security			
ADM Attorney General Legal Services	80,700	80,900	17,307
ADM Operating Lump Sum	0	72,000	0
ADM Operating Lump Sum Appropriation	85,000	85,000	4,570
ADM Public Assistance Collections	217,300	217,800	150,265
Administrative Adjustments	0	39,557	39,557
Administrative Adjustments	0	95,279	95,279
Administrative Adjustments	0	40,376	40,376
Administrative Adjustments	0	354	0
Administrative Adjustments	0	357,152	282,153
Administrative Adjustments	0	153,180	51,555
DACS Domestic Violence Prevention	1,700,000	1,700,000	1,500,000
DCYF Child Abuse Prevention	812,400	812,500	86,995
DCYF Healthy Families	250,000	0	0
DCYF Operating Lump Sum Appropriation	209,600	209,600	99,212
DERS Independent Living Rehabilitation Services	1,301,200	1,462,800	1,005,636
DERS JOBS	2,500,000	3,500,000	2,102,003
DERS Operating Lump Sum Appropriation	329,900	420,700	358,952
DERS Operating Lump Sum Appropriation FY01 - 02	523,600	524,400	200,000
DERS Vocational Rehabilitation Services	628,300	304,700	260,044
Commission for the Deaf and Hard of Hearing			
Administrative Adjustments	0	14,584	14,584
Operating Lump Sum Appropriation	5,712,400	5,713,600	5,070,993
Relief Bill	0	10,227	10,227
Department of Juvenile Corrections			
Administrative Adjustments	0	1,792	0
Operating Lump Sum Appropriation	719,700	721,100	695,175
Adobe Mountain - Repair Subfloor, Floor and Walls	0	40,000	0
Adobe Mountain - Upgrade Fire Booster Pump	0	20,000	0
Black Canyon Institution - Electrical System Repairs	0	110,000	37,310
Catalina Mountain Institution - Replace Kitchen Floor	0	50,000	0
Operating Lump Sum Appropriation	300,000	300,000	300,000
Dispensing Opticians Board			
Operating Lump Sum Appropriation	95,600	95,700	84,593
Board of Dental Examiners			
Administrative Adjustments	0	829	829
Operating Lump Sum Appropriation	757,500	758,500	746,084
Department of Education			
Basic State Aid Entitlement	74,898,300	72,263,000	72,263,000
Department of Commerce			
CEDC Commission	249,700	250,000	237,729
Administrative Adjustments	0	121,494	121,194
Administrative Adjustments	0	183	183
Advertising and Promotion	659,200	659,200	496,875
Arizona Sonora Economic Development Study	10,000	10,000	0
Economic Development Matching Funds	104,000	104,000	90,000
International Trade Offices	976,000	976,000	760,874
Lottery 1989	5,001	5,001	0
Main Street	130,000	130,000	129,118
Minority and Women Owned Business	111,000	111,000	104,569
National Law Center/Free Trade	250,000	250,000	250,000
Oil Overcharge Administration	144,300	144,500	117,008
Operating Lump Sum Appropriation	232,400	538,900	514,784
Operating Lump Sum Appropriation	347,500	137,313	137,313

STATE OF ARIZONA
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OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
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	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
REDI Matching Grants	45,000	45,000	29,741
Small Business Advocate	110,000	110,000	109,018
Special Needs Housing	0	24,971	24,971
Williams Gateway Airport Authority	4,000,000	4,000,000	0
Department of Environmental Quality			
Administrative Adjustments	0	106,050	106,050
Administrative Adjustments	0	530,610	530,610
Administrative Adjustments	0	15	0
Administrative Adjustments	0	8,222	8,222
Administrative Adjustments	0	15	15
Air Quality Program	4,065,100	4,068,000	3,225,856
Air Quality Program - Continuing	0	250,000	25,000
All Other Operating Expenditures	5,486,500	5,486,500	(2,447,886)
Department of Administration Bus Subsidy	0	475,400	475,400
Department of Administration Travel Reduction Transfer	0	400,000	400,000
Department of Transportation Administration Transfer	0	48,000	48,000
Emissions Cap and Trading Program	0	300,000	19,879
Employee Related Expenditures	792,200	793,500	675,356
Personal Services	3,547,200	3,557,500	3,129,239
Pima County Air Quality Program	230,000	230,000	230,000
Political Subdivisions Assistance	0	125,000	59,445
Roadside Diesel Emissions Testing Program	0	200,000	0
Solid Waste - New Used Oil Fund	127,400	127,500	85,376
Solid Waste Program	1,031,300	1,033,000	634,057
Visibility Index Development	0	450,000	2,237
Waste Tire Fund	195,700	195,700	32,679
Water Quality Program	3,541,500	3,544,600	1,407,651
Weights and Measures Oxygenated Fuel Transfer	0	778,400	778,400
Administrative Adjustments	0	14,278	14,278
Administrative Adjustments	0	149,572	149,572
Air Permits Administration Program	5,112,300	5,119,000	5,077,238
Recycling Fund	2,043,100	2,044,000	1,485,087
SAF - Actuarial Study - Maricopa County	0	45,170	45,170
SAF - Actuarial Study - Non Maricopa County	0	54,830	54,830
UST Assurance Acct - Policy Comm FY00 - 01	10,000	10,000	3,469
UST Assurance Acct - Policy Comm FY01 - 02	10,000	10,000	0
UST Assurance Acct - Policy Comm FY99 - 00	500,000	500,000	152,979
UST Assurance Acct - Technical Appeals Panel FY00 - 01	7,500	7,500	0
UST Assurance Acct - Technical Appeals Panel FY01 - 02	10,000	10,000	0
UST Program	2,000	2,000	0
Administrative Adjustments	0	41,051	41,051
Administrative Adjustments	0	417	417
Emissions Contractor Payments	15,869,800	15,869,800	13,803,802
Emissions Control - Clean Air Fund Subsidy	3,600,000	3,600,000	1,411,688
Emissions Control Program	3,858,600	3,862,700	2,998,284
Hazardous Waste Program	555,700	756,800	446,956
Hazardous Waste Reserve FY94 - 95	64,000	64,000	0
Hazardous Waste Reserve FY95 - 96	29,273	29,273	0
Hazardous Waste Reserve FY96 - 97	31,908	31,908	0
Funeral Directors and Embalmers			
Administrative Adjustments	0	506	506
Operating Lump Sum Appropriation	254,000	254,500	230,434

STATE OF ARIZONA
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OTHER GOVERNMENTAL FUNDS
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	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Game and Fish Department			
Administrative Adjustments	0	21,300	21,300
Administrative Adjustments	0	755	755
Building Renewal FY00 - 01	265,117	265,117	160,989
Building Renewal FY01 - 02	307,600	307,600	55,765
Building Renewal FY96 - 97	1	0	0
Building Renewal FY99 - 00	9,067	9,067	9,067
Early Repayment 1993 COP	247,106	247,106	0
Facilities Improvements FY00 - 01	143,267	143,267	136,519
Facilities Improvements FY01 - 02	170,000	170,000	658
Facilities Improvements FY98 - 99	10,788	10,788	10,788
Facilities Improvements FY99 - 00	82,633	82,633	57,200
Flagstaff Shooting Range Development FY00 - 01	74,000	74,000	0
Flagstaff Shooting Range Development FY99 - 00	57,080	57,080	41,740
Flagstaff Shooting Range Planning FY98 - 99	14,260	14,260	14,260
Lease Purchase Payoff FY96 - 97	268,301	268,301	0
Lease Purchase Payoff FY98 - 99	304,530	304,530	0
Migration Waterfowl Habitat FY93 - 94	1,302	1,302	0
Migration Waterfowl Habitat FY95 - 96	36,250	36,250	35,036
Migration Waterfowl Habitat FY96 - 97	94,700	94,700	0
Migratory Waterfowl Development FY00 - 01	100,000	100,000	0
Migratory Waterfowl Development FY01 - 02	100,000	100,000	0
Migratory Waterfowl Development FY97 - 98	89,700	89,700	0
Migratory Waterfowl Development FY98 - 99	89,312	89,312	0
Migratory Waterfowl Development FY99 - 00	100,000	100,000	0
Operating Lump Sum Appropriation	17,377,400	17,402,700	16,735,353
Operating Lump Sum Appropriation	1,811,700	1,814,400	1,601,352
Operating Lump Sum Appropriation	279,400	279,900	158,567
Performance Based Incentives Program FY00 - 01	13	13	0
Performance Based Incentives Program FY01 - 02	300,000	300,000	300,000
Performance Based Incentives Program FY97 - 98	6,571	6,571	0
Pittman - Robertson/Dingell - Johnson Act	2,708,000	2,708,000	2,708,000
Shooting Range Development FY00 - 01	44,600	44,600	13,662
Shooting Range Development FY01 - 02	100,000	100,000	52,878
Shooting Range Development FY96 - 97	10	10	10
Shooting Range Development FY97 - 98	2,048	2,048	0
Shooting Range Development FY98 - 99	11,930	11,930	6,000
Shooting Range Development FY99 - 00	50,000	50,000	45,495
W.C. Performance Based Incentives Program	46,800	46,800	46,798
Watercraft Reimbursement to Game and Fish Fund	500,000	500,000	500,000
Waterfowl Conservation	43,500	43,500	18,098
Wildlife Endowment	16,000	16,000	0
Deer Valley North Office Renovation FY95 - 96	13,977	13,977	13,758
Expansion and Renovation Game and Fish Headquarters	500,000	500,000	0
Expansion and Renovation Game and Fish Headquarters	248,454	248,454	36,121
Flagstaff Shooting Range Planning FY01 - 02	500,000	500,000	5,694
Mesa Office Expansion FY96 - 97	1,286	1,286	1,286
Pinetop Regional Office Expansion FY01 - 02	300,000	300,000	300,000
Pinetop Regional Office Expansion FY99 - 00	496,831	496,831	496,831
Department of Gaming			
Administrative Adjustments	0	29,407	29,407
Operating Lump Sum Appropriation	5,145,800	5,153,800	5,115,732

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	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Arizona Health Care Cost Containment System			
Capitation Stabilization	0	21,399,800	21,399,800
Fee for Service Stabilization	0	14,390,200	14,390,200
General Fund Transfer 2nd Special Session Chapter 4	0	2,400,000	2,400,000
Long-Term Care Stabilization	0	304,200	304,200
Reinsurance Stabilization	0	1,245,600	1,245,600
State Emergency Services	0	7,777,600	7,777,600
Freedom to Work Program Expense	0	91,000	0
Administrative Adjustments	0	1,039,446	50,045
Children's Health Insurance Program - Administration	5,831,400	5,831,400	5,531,607
Children's Health Insurance Program - Administration	2,871,600	2,887,700	1,850,221
Children's Health Insurance Program - Services	62,131,200	73,313,300	63,126,128
Department of Housing			
Operating Lump Sum Appropriation	345,600	213,887	211,145
Special Needs Housing	0	52,929	50,877
Homeopathic Medical Examiners			
Operating Lump Sum Appropriation	72,900	73,000	53,224
Department of Health Services			
Administration - All Other Operating Expenditures	3,000	3,000	2,743
Administration - Employee Related Expenditures	3,300	3,300	3,300
Administration - Indirect Costs	478,600	478,600	244,727
Administration - Personal Services	13,300	13,300	13,300
Administrative Adjustments	0	116,643	116,643
Administrative Adjustments	0	525	525
Administrative Adjustments	0	210,596	210,596
Administrative Adjustments	0	462,500	462,500
Administrative Adjustments	0	45,871	0
Assurance and Licensure	394,700	395,200	344,091
Assurance and Licensure	38,000	38,000	0
Behavioral Health - Substance Abuse Non-Title XIX	1,850,000	1,850,000	1,850,000
Family Health - Child Fatality Review Team	100,000	100,000	89,818
Family Health - High Risk Perinatal Services	450,000	450,000	142,250
Family Health - Newborn Screening Program	2,327,200	2,328,100	2,025,837
Mental Health Research Institute Grant	0	2,500,000	0
Public Health - Central Medical Direction Contract for EMS	100,000	100,000	0
Public Health - EMS Operations	2,812,000	2,815,600	2,541,363
Public Health - Laboratory Services	772,600	774,100	585,736
Public Health - Poison Control Center	800,000	800,000	600,000
Public Health - Rural Emergency Medical Services	32,093	32,093	32,093
Public Health - Trauma Advisory Board	250,000	250,000	191,376
Public Health - University of Arizona Poison Control Center	1,050,000	1,050,000	787,500
Reimbursement for Level I Trauma Centers	0	1,300,000	1,300,000
Reimbursement for Level I Trauma Centers	0	3,000,000	3,000,000
Relief Bill	0	1,816	1,816
Rural Ambulance Services	0	200,000	200,000
Rural Medical Services	0	1,500,000	918,071
Seriously Mentally Ill State Match for Title XIX	0	8,000,000	8,000,000
University of Arizona Poison Control - Transfer	0	92,000	0
Administrative Adjustments	0	445,938	445,938
ASH - Juniper/Wickenburg Windows	0	29,950	0
ASH - Repair Cooling Towers #1-2	0	27,000	0
Behavioral Health - Seriously Mentally Ill Non-Title XIX	8,000,000	10,790,000	10,790,000
Building Renewal FY91 - 92	3,548	3,548	0
Hepatitis C Virus Surveillance	350,000	350,000	260,315

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	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Immunization Information System	477,000	477,000	404,307
Local Health Departments	0	200,000	200,000
Mental Health Medications - SMI Non-Title XIX	1	1	0
Public Health - AIDS Reporting and Treatment	1,000,000	1,000,000	1,000,000
Public Health - Community Health Centers	1,000,000	1,000,000	852,466
Public Health - Emergency Vaccines	500,000	0	0
Administrative Adjustments	0	166	166
ASH All Other Operating Expenditures	400,000	400,000	389,001
Alzheimer's Grants	0	1,000,000	1,000,000
Industrial Commission			
Administrative Adjustments	0	128,626	128,626
Operating Lump Sum Appropriation	15,483,500	15,512,700	14,592,127
Criminal Justice Commission			
Administrative Adjustments	0	1,250	1,250
Crime Victim Assistance	900,000	900,000	882,770
Crime Victim Compensation	2,000,000	2,000,000	1,987,990
Crime Victim Compensation Special AG Transfer FY00 - 01	140,213	140,213	0
Crime Victim Compensation Special AG Transfer FY01 - 02	0	0	124,255
Drug and Gang Prevention Resource Center	263,000	263,300	263,300
Operating Lump Sum Appropriation	457,900	458,400	418,418
State Aid to County Attorneys	1,341,100	1,341,100	1,228,575
State Aid to Indigent Defense	1,273,700	1,273,700	1,166,955
Department of Library and Archives			
Operating Lump Sum Appropriation FY00 - 01	189,093	189,093	0
Operating Lump Sum Appropriation FY01 - 02	310,800	311,400	212,996
Operating Lump Sum Appropriation FY99 - 00	416,320	416,320	0
Legislative Council			
Old Capitol Building Repairs FY00 - 01	507,886	507,886	478,172
Old Capitol Building Repairs FY97 - 98	9,449	9,449	9,449
Old Capitol Building Repairs FY98 - 99	5,015	5,015	5,015
Old Capitol Building Repairs FY99 - 00	42,663	42,663	42,663
Land Department			
Administrative Adjustments	0	228	228
Administrative Adjustments	0	10,291	10,291
Operating Lump Sum Appropriation	674,800	675,000	564,011
General Fund Transfer 2nd Special Session Chapter 4	0	500,000	500,000
Emergency Management and Military Affairs			
Administrative Adjustments	0	4,000	4,000
Emergency Response Commission	132,700	132,700	132,700
Medical Examiners Board			
Administrative Adjustments	0	34,116	15,390
Document Imaging/Web Site Development/Maintenance	225,000	225,000	149,792
Operating Lump Sum Appropriation	4,572,800	4,639,600	4,289,402
Performance Based Incentive Program	0	259,819	19,426
Naturopathic Board			
Administrative Adjustments	0	429	429
All Other Operating Expenditures	53,400	53,400	35,232
Inspections Required	50,000	50,087	49,904
Operating Lump Sum Appropriation	105,500	105,713	86,482
Nursing Care Examiners Board			
Administrative Adjustments	0	374	0
Operating Lump Sum Appropriation	356,100	356,800	272,804

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Optometry Board			
Administrative Adjustments	0	155	155
IT Programs	8,100	8,100	8,031
Operating Lump Sum Appropriation	158,900	159,100	150,418
Osteopathic Examiners Board			
Administrative Adjustments	0	164	164
Health Crisis Fund Repayment	85,000	85,000	60,000
Operating Lump Sum Appropriation	382,800	412,600	411,900
Occupational Therapy Examiners Board			
Administrative Adjustments	0	867	867
Operating Lump Sum Appropriation	210,900	211,200	160,282
Commission for Postsecondary Education			
Administrative Adjustments	0	500	0
All Other Operating Expenditures	58,200	58,200	55,173
Arizona College and Career Guide	25,000	25,000	21,784
Arizona Minority Education Policy Analysis Center	74,500	74,500	45,048
Employee Related Expenditures	26,800	26,800	22,356
Family College Savings Program	85,100	85,100	54,369
Personal Services	132,000	132,400	131,802
State Student Incentive Grant	2,143,700	2,143,700	1,592,705
Twelve Plus Partnership	231,200	231,200	105,350
Pioneer's Home			
Building Renewal	0	69,000	60,457
Capital Equipment	0	67,007	67,007
Employee Related Expenditure	390,400	891,332	879,705
Food	0	231,800	222,849
Non-Capital Equipment	234,300	65,686	59,850
Other Operating Expenditures	443,800	443,800	443,800
Personal Services	1,342,300	3,033,675	3,033,675
Prescription Drugs	271,100	271,100	271,100
Prescription Drugs	0	165,300	165,300
Professional and Outside Services	0	162,700	160,246
Travel - In State	0	19,200	19,200
Pharmacy Board			
Administrative Adjustments	0	10,381	10,381
Operating Lump Sum Appropriation	1,260,500	1,262,300	1,029,849
Podiatry Board			
Operating Lump Sum Appropriation	96,000	96,100	86,490
Parks Board			
Administrative Adjustments	0	24,521	0
Law Enforcement and Boat Safety	1,060,900	1,107,000	1,061,787
Reservation Surcharge Revolving Fund	250,000	250,600	175,588
FY 89 Pass Through Grants	10,436	10,436	0
FY 90 Pass Through Grants	40,191	40,191	0
FY 91 Pass Through Grants	2,067,639	2,067,639	0
General Fund Transfer 2nd Special Session Chapter 4	0	6,000,000	6,000,000
Land, Buildings and Improvement Control FY89 - 90	4,388	4,388	0
Land, Buildings and Improvement Control FY89 - 90	258,697	258,697	0
Land, Buildings and Improvement Control FY90 - 91	1,500	1,500	0
Land, Buildings and Improvement Control FY90 - 91	19,258	19,258	0
Land, Buildings and Improvement Control FY90 - 91	32,684	32,684	0
Department of Public Safety			
Administrative Adjustments	0	79,079	79,079
Agency Support Program	0	7,507,100	7,507,100

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Agency Support Program	93,400	93,500	93,500
Agency Support Program	0	171,600	171,600
Agency Support Program	0	2,001,900	2,001,900
Automated Fingerprinting Identification Network	2,159,700	2,160,200	1,848,791
Board of Fingerprinting - Clearance Fund	35,900	35,900	35,900
Crime Laboratory Assessment Fund Pass Through	366,700	366,700	366,700
Criminal Investigation Program	0	1,122,300	1,122,300
Criminal Investigation Program	0	690,900	690,900
Criminal Justice Support Program	0	7,513,200	7,513,200
Criminal Justice Support Program	3,269,700	3,273,900	3,273,900
Criminal Justice Support Program	1,948,900	1,951,900	1,951,900
Criminal Justice Support Program	0	2,002,600	2,002,600
Governor's Office of Highway Safety Program	234,400	234,900	234,900
Highway Patrol Program	16,108,500	10,008,100	10,008,100
Highway Patrol Program	87,800	87,800	87,800
Highway Patrol Program	11,060,200	12,007,300	12,007,300
Highway Patrol Program	755,400	1,014,600	1,014,600
Highway Patrol Program	12,832,900	21,010,200	21,010,200
Licensing - Below the Line	526,300	527,100	392,207
Operating Lump Sum Appropriation	418,700	419,200	419,200
Patrol Officers	0	10,914,900	10,271,469
Pioneer Park Transportation Svc Ctr - Prescott FY00 - 01	945,978	945,978	934,886
Pioneer Park Transportation Svc Ctr - Prescott FY99 - 00	34,961	34,961	29,366
Physical Therapy Examiners Board			
Operating Lump Sum Appropriation	226,200	226,600	209,107
Private Post-Secondary Education			
Administrative Adjustments	0	692	692
Operating Lump Sum Appropriation	246,900	247,400	234,595
Board of Respiratory Care Examiners			
Administrative Adjustments	0	2,304	2,304
Operating Lump Sum Appropriation	170,500	171,000	153,516
Racing Examiners			
Administrative Adjustments	0	20,935	20,935
Operating Lump Sum Appropriation	61,500	61,700	52,404
Operating Lump Sum Appropriation	327,500	328,100	263,593
Registrar of Contractors			
Administrative Adjustments	0	51,508	51,508
Incentive Pay	113,500	113,500	113,500
Office of Administrative Hearing	832,500	832,500	832,500
Registrar of Contractors Fund	8,666,600	8,682,500	7,470,742
Department of Revenue			
Administrative Adjustments	0	511	511
Operating Lump Sum Appropriation	396,700	397,500	388,714
Structural Pest Control Board			
Administrative Adjustments	0	7,823	7,823
Operating Lump Sum Appropriation	1,740,700	1,744,100	1,722,295
Schools for the Deaf and the Blind			
Telephone System - Phoenix Campus	55	0	0
Operating Lump Sum Appropriation	11,031,300	12,147,800	10,065,764
School Facilities Board			
Building Inspections	400,000	400,000	0
Senate			
Public Buildings Land Earnings	7,681	7,681	7,681

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriation)	FINAL BUDGET (Appropriation)	ACTUAL EXPENDITURE AMOUNTS
Supreme Court			
Administrative Adjustments	0	13,522	13,522
Administrative Adjustments	0	292,114	56,884
Administrative Adjustments	0	41,182	41,182
Case Processing Assistance	3,010,800	3,011,100	1,610,864
Community Punishment	1,830,400	1,830,400	829,000
Confidential Intermediary FY00 - 01	194,013	194,013	76,161
Confidential Intermediary FY01 - 02	195,750	195,900	12,484
Confidential Intermediary FY99 - 00	30,336	30,336	30,336
Court Appointed Special Advocate	2,523,700	2,526,400	2,203,584
Defensive Driving Fund	5,150,900	5,153,800	2,400,768
Juvenile Crime Reduction	5,055,800	5,056,400	4,549,110
Private Fiduciary FY00 - 01	195,939	195,939	49,508
Private Fiduciary FY01 - 02	199,650	199,800	19,278
Private Fiduciary FY98 - 99	726	726	726
Private Fiduciary FY99 - 00	118,199	118,199	118,199
State Aid to the Courts	3,560,100	3,560,100	0
Drug Study	38,514	38,514	0
Psychologist Examiners Board			
Administrative Adjustments	0	596	596
Operating Lump Sum Appropriation	304,000	304,500	229,769
Technical Registration Board			
Administrative Adjustments	0	9,478	9,478
All Other Operating Expenditures	390,000	390,000	381,362
Employee Related Expenditures	155,300	155,300	121,707
Personal Services	593,900	595,800	544,751
University of Arizona			
Teratogen Information Program	92,000	92,000	92,000
Telemed - Behavioral Health	0	125,000	125,000
Telemed - Public School Pilot	0	100,000	100,000
Residential Utilities Consumer's Office			
Administrative Adjustments	0	2,658	2,658
Operating Lump Sum Appropriation	930,600	931,800	874,268
Professional Witnesses FY00 - 01	87,330	87,330	23,994
Professional Witnesses FY01 - 02	145,000	145,000	13,285
Professional Witnesses FY94 - 95	4,921	4,921	4,921
Professional Witnesses FY95 - 96	1,129	1,129	1,129
Professional Witnesses FY97 - 98	18,763	18,763	5,706
Professional Witnesses FY98 - 99	11,977	11,977	0
Professional Witnesses FY99 - 00	55,359	55,359	6,035
Veteran's Service			
Administrative Adjustments	0	1,350	1,350
Operating Lump Sum Appropriation	462,200	462,800	425,878
Veterinary Medical Examiner's Board			
Operating Lump Sum Appropriation	371,600	372,300	306,785
Water Resources			
General Fund Transfer 2nd Special Session Chapter 4	0	1,000,000	1,000,000
General Fund Transfer 2nd Special Session Chapter 4	0	1,000,000	1,000,000
General Fund Transfer 2nd Special Session Chapter 4	0	199,800	199,800
Weights and Measures			
Administrative Adjustments	0	4,089	4,089
Oxygenated Fuel	778,400	1,152,700	976,262
Total of Other Governmental Funds Budgetary Expenditures	**$** 598,119,739	$ 750,857,746	$ 632,362,607

EVANS HOUSE IN FRONT OF DEPARTMENT OF ENVIRONMENTAL QUALITY

STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATE OF ARIZONA
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

SOURCE	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Taxes:										
Sales	$4,424,528	$4,019,574	3,854,075	3,508,327	3,210,019	$3,060,258	$2,868,455	$2,681,756	$2,497,763	$2,254,022
Income	2,410,342	2,879,011	2,820,067	2,648,271	2,460,630	2,289,563	1,933,554	1,904,250	1,728,225	1,581,287
Motor vehicle and fuel	1,493,259	1,332,917	1,360,117	1,412,052	1,332,059	1,287,636	1,196,683	972,276	912,337	858,315
Property	49,611	47,987	50,490	52,785	55,354	51,185	198,035	193,625	201,011	201,758
Unemployment	-	175,733	177,607	191,327	223,517	225,102	239,481	235,800	200,742	124,568
Other	543,055	508,499	491,379	493,760	443,999	487,921	445,526	390,564	337,480	298,841
Intergovernmental	5,182,770	4,421,940	3,987,414	3,758,126	3,362,720	3,444,011	3,211,114	3,087,353	2,629,549	2,345,782
Licenses, fees and permits	327,006	221,063	204,976	189,657	175,335	194,410	173,311	159,890	140,083	134,377
Earnings on investments	136,513	266,400	232,849	205,875	217,620	179,276	152,795	118,767	69,552	62,639
Sales and charges for services	140,568	78,684	58,203	47,910	56,662	28,111	24,096	13,105	15,082	11,827
Fines, forfeitures and penalties	98,349	87,620	80,466	80,210	63,425	57,000	56,702	59,271	38,782	45,260
Other	320,870	397,017	323,888	191,446	169,685	215,337	205,691	165,231	159,500	139,508
Total Revenues	$15,126,871	$14,436,445	$13,641,531	$12,779,746	$11,771,025	$11,519,810	$10,705,443	$9,981,888	$8,930,106	$8,058,184

STATE OF ARIZONA
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

FUNCTION	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
General government	$486,154	1,970,048	1,762,922	1,605,452	1,445,878	$1,336,854	$1,277,101	$1,189,562	$1,096,909	$954,950
Health and welfare	5,788,774	5,131,426	4,556,141	4,304,739	4,005,762	4,057,734	3,790,039	3,644,541	3,208,547	3,101,338
Inspection and regulation	129,226	119,643	117,034	109,154	102,032	98,445	95,675	91,954	95,374	87,253
Education	4,188,501	3,473,005	3,188,645	2,829,105	2,591,121	2,400,212	2,220,246	2,033,675	1,841,961	1,733,768
Protection and safety	892,986	855,421	845,645	777,636	687,696	627,322	571,325	533,166	476,346	406,068
Transportation	401,372	1,829,350	1,811,957	1,748,482	1,499,551	1,307,624	1,287,309	1,008,472	1,011,600	908,800
Natural resources	140,600	116,732	100,718	94,399	97,377	90,417	87,252	81,629	91,227	60,480
Intergovernmental revenue sharing	2,190,160	-	-	-	-	-	-	-	-	-
Capital outlay	1,127,716	339,421	302,790	320,621	237,698	250,144	253,753	192,337	232,654	221,565
Debt service:										
Principal	270,850	227,408	192,563	180,157	167,590	168,815	151,652	118,869	100,754	81,000
Interest and other fiscal charges	125,594	91,364	91,222	89,323	89,272	99,150	103,562	107,750	111,123	112,091
Total Expenditures	$15,741,933	$14,153,818	$12,969,637	$12,059,068	$10,923,977	$10,436,717	$9,837,914	$9,001,955	$8,266,495	$7,667,313

Note: During fiscal year 2002, the State implemented GASB Statement No. 34-Basic Financial Statements and Management Discussion and Analysis. This statement required the reclassification of certain funds to other fund types. During fiscal 2002, the State reclassified the Unemployment Compensation Fund to a Proprietary Fund Type. This resulted in a reduction in Governmental Fund Revenue of approximately $348 million, and a corresponding reduction in Governmental Fund Expenditures of approximately $406 million reported in the above schedules during the year. This fund is reported as a major fund in the Proprietary Fund Financial Statements, included herein. Additionally, the Land Endowments major fund was reclassified from a Non-Expendable Trust Fund to a Governmental Fund Type during fiscal year 2002, as a result of GASB 34 implementation. This resulted in an increase in Governmental Fund Revenue of approximately $34 million, and a corresponding increase in Governmental Fund Expenditures of approximately $83 million during fiscal year 2002. Also, during fiscal year 2002, $1,205,039 of general governmental expenditures were reclassified as intergovernmental revenue sharing. Furthermore, $985,121 of transportation expenditures were reclassified as intergovernmental revenue sharing during fiscal year 2002.

STATE OF ARIZONA

PROPERTY TAX LEVIES, COLLECTIONS, TAXABLE PROPERTY ASSESSED AND ESTIMATED ACTUAL VALUE, AND PROPERTY TAX RATES

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2002

(Expressed in Thousands)

Property Tax Year	Property Tax Levies	Collections Related to Property Tax Year	Taxable Property Assessed Value	Taxable Property Estimated Actual Value	Property Tax Rate
2002	$ 13,802	$ 13,802	$ 34,854,286	$ 294,684,679	12 %
2001	17,905	17,905	32,528,311	273,788,720	13
2000	22,532	22,532	29,944,135	246,615,904	13
1999	24,059	24,059	27,483,100	227,796,396	12
1998	27,129	27,129	25,682,910	210,603,642	10
1997	28,650	28,650	24,277,784	198,555,996	12
1996	32,759	28,828	22,811,159	179,907,771	14
1995	174,706	169,992	22,109,869	175,683,517	7.9
1994	176,972	171,251	21,688,439	164,689,671	8.2
1993	177,757	169,023	21,381,932	158,908,671	8.3

Source: Department of Revenue Annual Financial Report

STATE OF ARIZONA

HIGHWAY CONSTRUCTION REVENUE BOND COVERAGE

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2002

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total	(1) Pledged Revenue	Coverage
2002	$ 45,365	$ 38,534	$ 83,899	$ 523,326	6.2
2001	52,055	36,581	88,636	513,890	5.8
2000	46,270	33,994	80,264	528,721	6.6
1999	43,805	31,090	74,895	509,935	6.8
1998	43,405	33,266	76,671	468,240	6.1
1997	40,970	36,148	77,118	468,542	6.1
1996	38,430	38,770	77,200	429,825	5.6
1995	36,330	40,974	77,304	399,605	5.2
1994	33,425	44,037	77,462	385,844	5.0
1993	27,865	48,289	76,154	355,304	4.7

(1) For fiscal year 1993 through 1996, net of 7% distributed to cities with a population greater than 300,000 persons. For fiscal years 1997 and after, includes vehicle license tax revenues distributed directly to the State Highway Fund.

Source: The Arizona Department of Transportation Annual Financial Report statistical section.

STATE OF ARIZONA
ARIZONA STATE UNIVERSITY REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

Fiscal Year	(1) Gross Revenues	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2002	$ 280,531	$ 9,695	$ 9,574	$ 19,269	14.56
2001	257,477	9,785	12,139	21,924	11.74
2000	247,792	8,995	11,766	20,761	11.94
1999	232,699	9,640	12,245	21,885	10.63
1998	226,112	9,205	12,685	21,890	10.33
1997	210,397	8,780	13,113	21,893	9.61
1996	196,143	8,330	13,563	21,893	8.96
1995	183,167	7,750	14,144	21,894	8.37
1994	165,736	7,085	14,807	21,892	7.57
1993	149,895	5,865	13,815	19,680	7.62

(1) "Gross Revenues" consist of pledged revenues for the bond issued.

Source: Arizona State University

STATE OF ARIZONA
NORTHERN ARIZONA UNIVERSITY REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

Fiscal Year	(1) Gross Revenues	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2002	$ 82,839	$ 6,932	$ 3,949	$ 10,881	7.61
2001	78,907	6,214	5,246	11,460	6.89
2000	75,852	6,119	5,488	11,607	6.54
1999	73,467	6,075	5,810	11,885	6.18
1998	71,743	5,743	6,145	11,888	6.03
1997	70,036	5,677	4,859	10,536	6.65
1996	68,336	5,372	5,207	10,579	6.46
1995	61,526	4,675	5,525	10,200	6.03
1994	56,313	3,905	5,802	9,707	5.80
1993	50,734	3,415	5,718	9,133	5.56

(1) "Gross Revenues" includes only revenues that are pledged for debt service payments under the System Revenue Bond Indenture.

Source: Northern Arizona University

STATE OF ARIZONA
UNIVERSITY OF ARIZONA REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1), (2) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2002	$ 670,326	$ 625,664	$ 44,662	$ 9,946	$ 15,500	$ 25,446	1.76
2001	710,423	663,284	47,139	12,415	16,359	28,774	1.64
2000	674,330	625,318	49,012	11,700	13,081	24,781	1.98
1999	650,201	580,292	69,909	10,714	14,869	25,583	2.73
1998	605,197	555,733	49,464	9,830	14,463	24,293	2.04
1997	577,412	535,178	42,234	9,360	14,935	24,295	1.74
1996	563,623	513,444	50,179	9,491	15,421	24,912	2.01
1995	537,891	486,926	50,965	8,147	15,334	23,481	2.17
1994	511,315	467,291	44,024	6,450	13,813	20,263	2.17
1993	487,387	448,834	38,553	6,567	14,651	21,218	1.82

(1) "Gross Revenues" and "Direct Operating Expenses" include Current Operating Unrestricted Funds only since these are the Funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization.

(2) Fiscal Year 2002 "Gross Revenues" and "Direct Operating Expenses" include accounting changes applied to Scholarship and Allowance due to implementation of GASB 34/35.

Source: University of Arizona

STATE OF ARIZONA
ECONOMIC INDICATORS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Unemployment Rate		(1), (2) Per Capita Personal Income	
	Arizona	U.S.	Arizona	US
2001	4.70 %	4.80 %	$ N/A	$ N/A
2000	3.90	4.00	24,988	29,469
1999	4.40	4.20	23,755	27,843
1998	4.10	4.50	23,118	26,893
1997	4.60	5.00	21,892	25,412
1996	5.50	5.40	20,883	24,270
1995	5.10	5.60	20,050	23,255
1994	6.40	6.10	19,320	22,340
1993	6.30	6.80	18,424	21,539
1992	7.60	7.40	17,907	20,960

(1) Information for 2001 is not yet available, there is a two year lag for income

(2) Arizona & US Income for 1992-1999 has been updated with June 30, 2002 revised data

Source: Arizona Department of Economic Security

STATE OF ARIZONA
MAJOR PRIVATE EMPLOYERS
FISCAL YEAR ENDED JUNE 30, 2002

Employer	Number of Employees
Wal-Mart Stores Inc	15,335
Banner Health Systems	14,845
Honeywell Aerospace	14,100
Raytheon Company	10,200
Intel Corporation	10,000
Motorola Inc	9,750
Safeway Inc	9,750
Albertsons Inc	9,500
America West Airlines	9,095
Wells Fargo & Co	8,900

Source: Phoenix Newspapers, Inc.

STATE OF ARIZONA
POPULATION BY COUNTY
FOR LAST TEN YEARS

COUNTY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
MARICOPA	2,233,700	2,291,200	2,355,900	2,528,700	2,634,625	2,720,525	2,806,100	2,913,475	3,072,149	3,192,125
PIMA	700,265	712,600	728,425	758,575	780,750	789,650	823,900	845,775	843,746	870,610
PINAL	122,600	127,225	132,225	139,000	144,150	150,375	157,675	165,400	179,727	186,795
YAVAPAI	114,110	118,400	123,500	130,300	134,600	142,075	148,500	155,900	167,517	175,305
MOHAVE	105,725	114,000	120,325	125,150	127,700	133,550	138,625	142,925	155,032	161,580
YUMA	112,825	116,450	119,650	121,975	124,950	129,275	135,200	139,650	160,895	165,280
COCHISE	101,175	103,325	108,225	112,000	114,925	119,650	123,750	124,575	117,755	121,435
COCONINO	101,350	104,700	107,500	110,750	113,475	117,475	121,625	122,825	116,320	122,770
NAVAJO	80,480	80,675	81,750	82,875	84,300	89,225	92,500	93,400	97,470	99,780
APACHE	62,950	63,050	63,275	63,750	64,475	55,500	66,350	66,950	69,423	69,880
GILA	41,700	42,400	43,350	44,525	45,300	47,450	49,175	50,150	51,335	52,420
GRAHAM	27,700	29,400	30,625	30,050	31,150	32,575	34,700	35,750	33,489	34,065
GREENLEE	8,350	8,375	8,425	8,525	8,650	8,875	9,125	9,225	8,547	8,590
LA PAZ	14,825	15,550	16,075	16,700	18,200	17,625	19,000	19,250	19,715	19,935
SANTA CRUZ	31,050	31,525	32,400	34,275	35,050	36,350	37,800	39,100	38,381	39,325
TOTAL	3,858,805	3,958,875	4,071,650	4,307,150	4,462,300	4,590,175	4,764,025	4,924,350	5,131,501	5,319,895

Source: Arizona Department of Economic Security

STATE OF ARIZONA
SCHEDULE OF BANK AND SAVINGS AND LOAN DEPOSITS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2002
(Expressed in Millions)

	Banks			Savings and Loans		
Fiscal Year	State	Federal	Total Deposits	State	(1) Federal	Total Deposits
2001	$ 4,518	39,673	44,191	0	3,129	3,129
2000	4,454	36,000	40,454	0	2,768	2,768
1999	4,031	33,660	37,691	0	2,480	2,480
1998	3,331	32,844	36,175	0	2,138	2,138
1997	2,724	31,611	34,335	0	1,738	1,738
1996	9,746	23,912	33,658	22	1,289	1,311
1995	9,403	23,984	33,387	86	1,496	1,582
1994	10,357	21,014	31,371	79	1,109	1,188
1993	12,656	16,673	29,329	74	0	74
1992	13,775	16,015	29,790	63	0	63

(1) Missing information is not available as only Federal Savings and Loans are required to report to the Federal Deposit Insurance Corporation. Information on State Savings and Loans is no longer reported by the Arizona Banking Department.

Source: Federal Deposit Insurance Corporation

STATE OF ARIZONA
ASSESSED VALUE OF NEW COMMERCIAL AND RESIDENTIAL CONSTRUCTION
FOR THE LAST TEN YEARS

Calendar Year Ended December 31	COMMERCIAL CONSTRUCTION				RESIDENTIAL CONSTRUCTION			
	Number of Permits Issued	Percent Change	Value (Expressed in Thousands)	Percent Change	Number of Permits Issued	Percent Change	Value (Expressed in Thousands)	Percent Change
2001	54,785	1.69 %	$ 5,038,963	5.32 %	75,863	1.65 %	$ 7,508,550	9.40 %
2000	53,877	11.00	4,784,452	16.47	74,629	(7.21)	6,863,290	(5.52)
1999	48,536	12.08	4,107,783	(9.49)	80,432	3.66	7,263,997	8.83
1998	43,303	9.03	4,538,720	13.35	77,594	11.46	6,674,574	22.23
1997	39,717	9.69	4,004,022	1.41	69,613	5.17	5,460,787	11.19
1996	36,209	10.87	3,948,490	33.15	66,194	3.93	4,911,269	22.77
1995	32,659	8.04	2,965,456	30.15	63,688	(0.59)	4,000,436	(15.26)
1994	30,228	6.30	2,278,460	47.15	64,065	21.08	4,720,754	30.09
1993	28,436	1.67	1,548,420	3.57	52,910	6.31	3,628,710	15.71
1992	27,969	7.61	1,495,012	17.10	49,771	17.65	3,136,169	33.41

Source: College of Business, Arizona State University
Center for Business Research

STATE OF ARIZONA
PUBLIC SCHOOL ENROLLMENT - GRADES K-12
FOR THE LAST TEN ACADEMIC YEARS

Academic Year	Grades K-3	Grades 4-6	Grades 7-9	Grades 10-12	Total All Grades	High School Dropouts	
						Total	Percent
2001-02	292,229	223,130	217,671	182,626	915,656	28,375	9.50 %
2000-01	288,421	215,648	206,838	168,080	878,987	28,862	9.80
1999-00	283,378	207,899	206,639	168,710	866,626	26,097	11.10
1998-99	278,746	199,017	198,083	157,455	833,301	31,844	12.20
1997-98	238,769	192,714	187,959	146,710	766,152	27,999	11.50
1996-97	264,925	188,959	187,220	145,723	786,827	30,294	12.80
1995-96	248,295	179,154	179,021	137,975	744,445	26,401	12.20
1994-95	243,608	177,402	176,942	135,932	733,884	25,369	12.10
1993-94	236,519	172,891	167,598	129,089	706,097	25,450	13.83
1992-93	245,292	175,886	171,648	134,698	727,524	24,248	12.40

(1) Includes ungraded elementary enrollment, except for academic years 1997-98 and 1998-99.
(2) Includes ungraded secondary enrollment, except for academic years 1997-98 and 1998-99.
(3) The high school dropout totals for Academic Years (AY) 1993-94 is based on a nine month school year. The total for AY 1992-1993 is based on dropouts in a twelve month period.
(4) Percent of total high school enrollment (Grades 9-12).

Note: 2002 enrollments were provided at the school level and do not eliminate concurrent enrollments. Overstatement estimated at 100,000 over all grade levels.

Source: Arizona Department of Education

STATE OF ARIZONA
AVERAGE STATE PRISON ADULT INMATE POPULATION
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2002

Incarceration Institution	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Florence Complex	8,468	8,176	7,723	7,794	8,145	7,693	7,205	6,988	6,083	5,275
Lewis Complex	4,058	3,656	2,151	978	0	0	0	0	0	0
Perryville Complex	2,165	1,885	1,564	2,653	2,403	2,581	2,432	2,375	2,342	2,237
Phoenix Complex	940	957	1,325	1,256	1,804	1,275	1,407	1,331	1,267	1,176
Tucson Complex	3,874	3,607	3,898	4,016	4,071	3,966	3,677	3,483	2,888	2,692
Douglas Complex	2,154	2,130	2,190	2,183	2,214	1,944	2,214	2,053	2,064	1,987
Winslow Complex	1,824	1,791	1,768	1,635	1,671	1,736	1,741	1,522	1,353	1,290
Safford Complex	1,797	1,624	1,839	1,778	1,804	1,979	1,749	1,493	1,476	1,395
Yuma Complex	2,159	2,048	2,241	2,226	1,328	764	303	297	264	241
Misc Prison No	170	154	292	240	0	0	0	0	0	0
Private Prisons	1,664	1,423	1,411	1,410	444	445	0	0	0	0
Total	29,273	27,451	26,402	26,169	23,884	22,383	20,728	19,542	17,737	16,293
Repeat Offenders Admitted	N/A	N/A	N/A	N/A	N/A	2,581	2,248	2,271	2,090	1,825

Source: Arizona Department of Corrections

STATE OF ARIZONA
PUBLIC HIGHER EDUCATION INSTITUTIONS'
FULL-TIME EQUIVALENT FALL ENROLLMENT
FOR THE LAST TEN YEARS

Institution	Fall 2002	Fall 2001	Fall 2000	Fall 1999	Fall 1998	Fall 1997	Fall 1996	Fall 1995	Fall 1994	Fall 1993
Universities:										
Arizona State University	49,980	47,086	44,637	43,910	42,946	43,105	40,910	39,552	39,147	37,985
Northern Arizona University	17,189	17,057	17,107	17,293	17,484	17,183	17,193	17,592	16,875	16,387
University of Arizona	33,089	32,460	30,981	31,008	30,733	30,403	29,724	31,042	31,314	31,381
Total	100,258	96,603	92,725	92,211	91,163	90,691	87,827	88,186	87,336	85,753
Community Colleges:										
Cochise County	2,303	2,387	2,141	2,173	2,453	2,419	2,267	2,270	2,529	2,591
Coconino County	1,459	1,378	1,449	1,454	1,308	1,364	1,485	1,387	1,295	1,114
Graham County	2,064	2,869	2,828	2,762	2,623	2,300	2,279	2,235	2,094	2,196
Maricopa County	48,678	44,693	42,320	41,104	39,435	37,265	37,064	35,903	35,762	35,907
Mohave County	1,922	1,856	1,763	1,876	1,788	1,671	1,805	1,731	1,708	1,732
Navajo County	2,119	2,095	1,875	1,444	1,624	1,711	1,744	1,723	1,741	1,747
Pima County	14,832	13,469	12,656	13,281	13,061	12,898	12,526	13,080	13,128	13,416
Pinal County	2,407	2,436	2,220	2,213	2,011	2,032	2,071	2,138	2,042	2,154
Yavapai County	2,503	2,403	2,272	2,343	2,322	2,348	2,254	2,382	2,258	2,260
Yuma County	3,179	3,120	2,922	2,889	2,773	2,762	2,759	2,708	2,691	2,580
Total	81,466	76,706	72,446	71,539	69,398	66,770	66,254	65,557	65,248	65,697
Total All Institutions	181,724	173,309	165,171	163,750	160,561	157,461	154,081	153,743	152,584	151,450

Sources: Arizona Board of Regents
State Board of Directors for Community Colleges

Note: University enrollments were corrected, for 1993 to 2002, from a total head count to a full-time-equivalent enrollment.

ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Administration, Financial Services Division, Financial Reporting Section:

Ron Santa Cruz
Jacqueline Barclay
Evan Chang
James Fagan, CPA
Chris Freitag
Michael Kallaur
Mary Kirchmann
Nanette Nunez-Mendez
John Schutter

Special acknowledgment goes to:

All fiscal and accounting personnel throughout the Arizona State government, whose dedicated efforts and cooperation contributed to the compilation of financial information that appears in the report.